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**EDITORIAL**

## As We See It

The steel mills of the country and their workmen are idle. The demands and the claims of the unions are of a piece with those that have been heard in numerous industries since the recession came to an end. The replies of the officials of the steel industry have uniformly been of a sort and a caliber that we all wish had characterized managements' attitudes in a good many other and less publicized disputes during the past half year. Unfortunately, for one reason or another, all too many employers have lacked whatever it takes to stand firm against monopolistic labor organizations, and the steel workers are able to enter the current campaign with the tactical advantage of pointing to what other unions have been granted.

Of course, there is no economic justification for larger compensation for steel workers, and, of course, there was no economic justification for the increases that have been granted by so many other industries since business got sufficiently good to give the unions a favorable position for demanding more pay. There does not appear to be much that can do done about changes that have been made in the past, and it remains to be seen whether the employers in the steel industry can be bludgeoned by the unions—quite possibly assisted by certain politicians—into corresponding concessions. Whatever may be the ultimate outcome in the steel industry, the country will inevitably face some difficult and quite unnecessary problems growing out of excessive wage costs during the next year or two.

**Time for Serious Thought**

It is none too early for the American people to begin to give this matter of unreasonable labor

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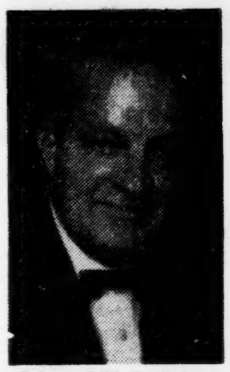
## The SEC, the Amateur and Financial Press: 1929-1959

By EDWARD N. GADSBY*
Chairman, Securities & Exchange Commission

**Ups and downs of market will continue, but without a repetition of the early 30s according to SEC head who reiterates his doleful appraisal of speculative amateurs who can't afford risks. Praised for disclosure and publicity corporate reform role, the financial press is nevertheless warned against being unwittingly used as a tool by those who employ tip and rumor or untimely publicity. After comparing pre-SEC market with present one, SEC head affirms no desire to exercise control over investor-judgment or over free,non-manipulative, market price—even if market is mistakenly sought as an inflation hedge; and can't visualize any legislation that can steer market price; and refers to SEC's limited powers over panic.**

Two weeks ago the Securities and Exchange Commission celerated its 25th birthday. On July 2, 1934, the original five Commissioners held their first meeting here in Washington and elected Honorable Joseph P. Kennedy as their Chairman. It was their privilege to chart the early courses of an entirely new venture by the Federal Government in the economic activities of our country. I do not intend to try to review the experiences and activities of the Commission or to attempt to evaluate the Commission's work under the Federal securities laws during the past quarter century. Such material has been and will be adequately covered on other occasions. I intend rather to concern myself principally with two questions which I have been asked on several occasions in recent weeks, first, whether the legislation now on the books is adequate to prevent a serious collapse in the market, and


Edward N. Gadsby

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*An address by Mr. Gadsby before the National Press Club of Washington, D. C., July 16, 1959.

## Straightforward Reporting On Economy and Prospects

By SUMNER H. SLICHTER
Lamont University Professor
Harvard University, Cambridge, Mass.

**Answering critics said to confuse predictions as expression of desire, Dr. Slichter's examination of steel strike, fiscal and monetary policy separately labels what he predicts or sees from what he would like to see or to see happen. Economist also delves into next quarter's outlook wherein he expects GNP to slightly exceed second quarter. Dr. Slichter terms steel wage demand undeserved and, in general, indicts labor as exploiters of capital, science and engineering; and observes that union-forced wages can stimulate the economy. Castigates pressure groups and weak politicians as responsible for inflation. Predicts political tide favors Democrats, and that a prolonged steel strike can be taken in stride.**

**I. Summary**

Production is expanding at a fairly vigorous rate, and in the second quarter of 1959 was running at about $480 billion a year, a gain of 2.8% over the first quarter. Construction appears to have leveled off—it has not changed appreciably for six months. Retail sales declined slightly in June.


Sumner H. Slichter

Output exceeds consumption by a considerable amount — probably about $8 billion a year. The attempt to accumulate inventories reached a peak in April. New orders of manufacturers dropped sharply in May, and the volume of unfilled orders decreased for the first time since September, 1958.

Employment in June was 1,326,000 higher than in May, and unemployment rose from 3,389,000 to 3,982,000. The seasonally adjusted unemployment rate was 4.9% in May and the same in June.

Prices are steady. The huge deficit in the Federal

*Continued on page 26*

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 30.

# The Security I Like Best

**A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.**

**(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)**

DERWOOD S. CHASE, Jr.
Investment Counsellor
Charlottesville, Va.

**Di Giorgio Fruit Corp. (Revisited)**

A year ago I called Di Giorgio Fruit Co. to the attention of your readers as an attractive situation which combined undervalued assets, improving earnings and liberal yield. Several important recent developments combine to continue Di Giorgio's attractiveness despite a 100% increase in the price of the stock since last year's article.

D. S. Chase, Jr.

The most important development was the 96% acquisition of S & W Fine Foods, Inc. earlier this year. As processors and distributors of premium grade "Fancy" canned and packaged vegetables, fruits, juices and specialty food items, S & W prossesses a well known quality label that boasts few, if any, peers. Di Giorgio financed this purchase entirely with borrowed funds by arranging a $6,000,000 seven year bank loan at an average interest rate of 4¾%. Since there was no dilution of equity, S & W's profits after interest expenses will provide a substantial increment to Di Giorgio's earnings. Furthermore, S & W finances are strong with net working capital alone aggregating almost $10,000,000 on April 30, 1958 or $31.50 per S & W share, compared with Di Giiorgio's purchase price of $19. Sales and earnings for S & W in the fiscal year ending April 30, 1959 are estimated at $62,000,000 and $700,000 respectively (after preferred dividends of $80,000). Thus S & W has sales almost twice as large as Di Giorgio, and while margins are typically narrow, it is believed that there is a good potential for improvement. The combined companies wil have sales approaching $100,000,000 this year, which should number Di Giorgio among the 400 largest U. S. industrial corporations for 1959.

Di Giorgio operations permit investors to participate in a diversified California and Florida agriculture, including grape, citrus, pear, plum, potato, asparagus and cotton plantings. Since incorporation in 1920 as a fruit producer, management has realized a good degree of integration and diversification. Even before the S & W acquisition, operations included wine processing and distribution; fresh fruit and vegetable packing; lumber, crate and box production; frozen and single strength citrus canning (TreeSweet subsidiary) and part ownership of several large eastern auction markets.

Di Giorgio's bulk wine capacity is one of the largest in the industry and affords a captive use for their wine grapes. Di Giorgio is the second largest distributor of wine, by volume, in California. Although wine products will need to be up-graded and distribution expanded to obtain worthwhile profits, the company's wine marketing is important because it reduces Di Giorgio's dependence on volatile bulk wine prices.

The TreeSweet subsidiary provides Di Giorgio with an assured outlet for their Florida citrus output. TreeSweet's processing plant at Fort Pierce, Fla., is the only facility in that area, and therefore enjoys a freight advantage of 10 to 15 cents a box when bidding for citrus fruit. The region normally grows about 12,000,000 boxes, compared with TreeSweet's processing capacity of 5,000,000 boxes and Di Giorgio's citrus production of about 500,000 boxes. It is interesting to note that about 65% of Di Giorgio's citrus groves are classified as "young plantings." As they mature, production is expected to increase about 10% per year, reaching a peak output near 1,000,000 boxes in 1965 or almost twice the present yield.

Florida growing operations have been quite profitable this year with good citrus profits and elimination of the 1958 tomato loses. However, processors generally paid too much for the fresh fruit crop which turned out to be larger than expected. The TreeSweet subsidiary, along with other packers, expects lower earnings this year due to abnormally low profit margins. In January, 1959, TreeSweet completed an expansion program which doubled their frozen concentrate capacity and should provide a good boost to their earning power in an early future year when margins improve.

Di Giorgio's net sales increased from $11,570,000 in 1948 to $28,867,000 in 1957 (including TreeSweet) and to $31,859,000 in 1958. 1958 earnings were $1,333,000 or $1.13 per common share (after giving effect to a 2 for 1 split in December of 1958), an increase of 197% over pro forma 1957 operations which included a substantial TreeSweet loss. Recent acquisitions and expansion add considerably to earnings potential.

There were 1,144,769 Class A & B shares outstanding on Dec. 31, 1958. Management has extended voting rights to "B" shareholders, who now elect 50% of the directors. The company would like to list their shares on the New York Stock Exchange, which has agreed to consider their application despite the fact that "B" shareholders still have disproportionate voting rights. Both classes are listed on the Pacific Coast Exchange. While a large number of shares are closely held by management and family, the majority is owned by almost 6,000 public stockholders.

The current $.60 annual dividend rate reflects a 20% increase effective in February, and requires only 33% of net and 20% of the cash flow estimated for 1959. Some dividends have been paid every year since 1945. The present rate will probably be increased later this year if earnings meet expectations.

Finances are strong. At year end the current ratio was 3.5 to 1 with net working capital of $9,390,000 exclusive of S & W. Total assets of $31,717,000 and book value of $16.40 per common share appreciably undervalue real estate and other assets. For example, the 45.6% owned New York Fruit Auction Corporation, which is carried on the books at $501, paid Di Giorgio $112,830 in dividends last year from their $138,635 proportionate share of net profits. Another undervalued asset is the Philadelphia Terminals Auction Company in which Di Giorgio has increased their ownership from 68.75% to 99% this year. Operations will be consolidated, adding about $400,000 in commission revenues and approximately $100,000 (8-9c per share) to net profits. Furthermore, this company has an investment program exceeding $700,000 which may be the source of a tax free liquidating dividend to Di Giorgio, thus returning them about 96% of their total investment in this company without impairing its earning power.

Di Giorgio's most valuable "hidden assets" are in the form of real estate, since a significant part of the company's 23,900 acres are near valuable residential and industrial properties in California and Florida. While Di Giorgio has not felt the need for ballyhoo in the financial press concerning their real estate, these holdings are more valuable than those of several companies which are frequently mentioned in the financial community as attractive land boom participants. Management is actively pursuing this source of profits and continues to add new farm lands. Earlier this year Di Giorgio bought 2,200 unimproved acres in Florida adjacent to their Indian River citrus properties for around $600,000. This land will be cleared and ditched for future grove expansion and appears to be an exceedingly attractive land purchase.

In 1956 Di Giorgio sold their 1,500 acre Peters Farm to Florida real estate developers for $4,400,000. This farm was carried on the books at $235,000 or 5.5% of the selling price, another example of grossly understated book value. Di Giorgio accepted a mortgage for 71% of the sales price. The balance of $3,124,000 is due on or before Dec. 27, 1962, which will result in additional capital gains of about $2 per share after taxes.

Di Giorgio's most important real estate development is in Borrego Valley, California, which is surrounded by the Do Anza State Park, California's largest state park. The Santa Rosa, Pinyon and Vallecito Mountains almost completely surround Borrego Valley and understandably enhance its attractiveness. Borrego is located about 50 miles south of Palm Springs, 97 miles from San Diego and 164 miles from Los Angeles. On a smaller scale it is expected that this beautiful location will rival such popular resort areas as Palm Springs in the not too distant future. Di Giorgio owns 3,100 acres here, or about 9% of the Valley. In February, an 18 hole golf course was completed at the Do Anza Desert Country Club. Just recently the Federal Housing Administration announced that it would insure loans for home construction in Borrego. Simultaneously the San Diego Federal S & L Association and the Bank of America announced that they would start making home construction loans there. These developments should provide great impetus to Borrego's growth. Over the next few years Di Giorgio expects to reap handsome profits on their 1,000 acres of scattered promotional land, while their 2,100 acre farm planted in early desert grapes has excellent long term development potentials.

It should be mentioned that Di Giorgio's California farm lands enjoy excellent water supplies for irrigation. Borrego Farms, for instance, is served by 19 wells which tap a subterranean basin. Each is capable of pumping 1,500 to 2,000 gallons per minute.

In contrast to the small farmer, management enjoys more

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**This Week's Forum Participants and Their Selections**

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American-Marietta—Marvin Feit, Ross & Hirsch, New York City. (Page 39)

# Rebuilding Debt Structure As a Stabilization Device

By DR. ROBERT L. BUNTING
Assistant Professor of Economics
The University of North Carolina
Chapel Hill, N. C.

**Raising or removing the interest rate ceiling on Federal bonds is viewed as a peripheral problem compared to bringing about a fundamental change in debt-management policy. The author's thesis is concerned with freeing monetary authorities from the capricious fluctuations arising from liquidity impact of the debt; and suggests neutralization and stabilization roll-over and debt reconstruction measures so that the debt may be used to further monetary policy. Prof. Bunting suggests we settle what our debt-management aims should be, and notes the conflict between minimizing the total interest burden and maintaining least-possible interest rate fluctuation.**

It is unfortunate that the Administration's request for removal of the 4¼% ceiling on government bonds has not been granted. Unless some version of that request is granted — or unless a completely unexpected reversal in the trend of interest rates takes place — the Treasury will be forced to avoid the long - term market in its new issues and refunding operations of the near future. Almost surely this means continued shortening of the debt—at a time when every effort should be made to move in the other direction.

Robert L. Bunting

It seems clear that the present controversy over the interest rate ceiling does *not* concern a fundamental change in debt management policy. What has changed is the market: the structure of interest rates has moved upward. The question at issue is simply whether Secretary Anderson will be permitted to continue doing what he has been doing; if so, he needs freedom of movement to react to the different market situation.

As one of those who feels that our past debt management record leaves a great deal to be desired, I should like to see discussion directed at much more basic issues. If the Treasury continues to act as it has, the best that can be hoped for is that a long term security will be offered every now and then when market conditions are "favorable." It is my belief that this one-jump-ahead-of-the-market approach to debt management is inadequate and that the time has come to begin exploring fundamentally new and different ways of meeting the problems posed by our large Federal debt.

*The author would like to express his thanks to David I. Fand, Rush V. Greenslade, Clifton H. Kreps and George M. Woodward for critical comments made at various stages of the development of this paper.

### Using Debt Management

In this article I shall assume that there is general consensus upon the desirability of using debt management as a stabilization device. Further, I shall assume that Congress has recently expressed this consensus in legislative action which transferred debt management responsibilities to the Federal Reserve Board of Governors and which directed that the powers associated with these responsibilities be used by the Board alongside its traditional instruments of control. My purpose is that of exploring the possibilities for reorganizing the debt with a view toward increasing its stabilization usefulness.[1]

Perhaps the dominant characteristic of the U. S. Federal debt as it is presently constituted is its ever-changing structure. The time-worn statement "you have to move forward in order to stand still" is highly expressive of the dilemma of the debt managers, for each day that passes brings every Federal Government interest-bearing security 24 hours closer to maturity. This, plus the concentration of many billions of dollars' worth of these obligations in the very short term maturity range, is a source of constant harassment to the Treasury.

More important from the social viewpoint than the problems which have been created for the Treasurer is that such steady change constitutes, in a sense, a continuous harassment of the economy as a whole: it amounts to constant fluctuation in the near-

*Continued on page 18*

1 Elsewhere I have attempted to state the case for combining present monetary and debt management operations, as an interim stability measure, along the lines suggested in the text above. (See: "A Debt Management Proposal," *The Southern Economic Journal*, January 1959, Vol. XXV, No. 3.) In the present article I am concerned with incorporating the brief reorganizational suggestion of that communication into a more comprehensive structural arrangement.

Perhaps it is desirable to state explicitly that, throughout this paper, the Board of Governors is assumed to continue acting as it has been acting in the period since the "accord"; the only difference in the institutional framework is that the Board now has a "new" device to use in conjunction with such other powers as it already had over required reserve ratios, rediscount rates, and open market dealings. The question is, how can the new instrument of control be made effective within this setting?

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# Observations . . .

By A. WILFRED MAY

## BOND ANALYSIS TO THE FORE

The activities of security analysts, individually and in professional association, have been habitually centered on common stocks. But with the present price level of equities vaguely geared to the moon — or at least untied to any relevant quantitative criteria — and with adequate investment income yield transferred from its traditional favoring of equities to the presently higher-yielding bonds; serious-minded technical appraisal is now being substantially shifted to fixed-interest obligations.

A. Wilfred May

With the Government's difficulties midst tightening money, coupled with potential buyers' concern over the inflation-specter and investors' general souring on the media of bonds along with the "tricky" tax elements, the Government bond market demands the most expert unravelling and depiction of the available alternative issues. The investor transferring money from the stock market to the supposedly simple haven of Government securities surely is in for disillusionment over the simplicity.

Basically, there is the question whether to get in to the long-term or short-term area. Should the Congress give the President what he wants in the raising of the interest ceiling above 4¼%, the cash-laden investor will have been rewarded for waiting for an above-normally yielding long-term issue. But should the proposed Congressional directive for bond-pegging at par by the Reserve Board become effective, he will have missed the market, the long- as well as short-term issues.

### The Complexities

Meanwhile there are the problems of choosing between the presently available short-term issues — complicated further by the net incidence of income tax. The highly liquid one-year Treasury Bills offering which were sold last week, now have risen to a 4.40% yield basis to maturity, or 4.65% on the money invested. The investor who is in a 50% top tax bracket will thus get a 2.32% net-after-tax yield to maturity — a result comparing favorably with outstanding short-term tax-exempt municipal bonds. This is almost exactly the same net yield now available from the newly offered one-year (August 1960) note—the only difference being a longer accretion of interest from the former.

Another attractive competing vehicle for relatively short period investing is offered by the Treasury in the various issues of 1½% notes selling at deep discounts. Here the holder to maturity gets part of his yield in the form of the sure appreciation to 100, which yield increment is taxed at only the capital gains ceiling of 25%. Thus, the 50%-tax-bracket investor gets a 2.44% net yield from the 1½% note due April 1961, 2.86% from the April 1, 1961 issue, 2.94% from the issue due October 1962, 3.02% from issues due in 1963, and a full 3.17% on the issue due April 1964. The main drawback in these discounted issues is their lack of the very high marketability attaching to the above cited Treasury Bills.

In any event, perplexed as incipient bond buyer may be, he is certain to realize the advantage in buying *any* of the issues in lieu of commercial banks' savings accounts at their present 3% taxable interest yield.

* * *

## AN UNDER-EMPHASIZED INVESTING COOPERATIVE

Attention is constantly called to the participation of *institutional* buyers in the securities markets, particularly their growing influence over the common stock area. Well stressed has been the comparatively recent step-up in the impact of pension funds, union moneys, and particularly the fast-growing mutual funds, with their implications on the structure of stock ownership along with prices. But quite remarkably overlooked as a market influence has been the important part played by the huge amounts flowing into bank-administered trust funds. Newly filling the gap in such information now are figures arrived at in a just-completed survey of personal trust holdings by the American Bankers Association, supplementing data on *common trust funds* periodically compiled by the Federal Reserve Board.

The amount in personal trust funds comes to the enormous total of $49,680,300,000, and this figure only includes the current values of living trusts, testamentary trusts, guardian accounts, and funds of incompetents. It excludes estates, personal agencies, custody and safekeeping accounts, pension and profit-sharing trusts, investment advisory and corporate trusts, etc. This $49 billion compares with the $34-billion equivalent-date holdings of the intensively promoted mutual funds, the $34 billion of mutual savings bank deposits, the $48 billion with savings and loan associations, and the total of $86 billion with life insurance companies.

## INCREASING SHIFT TO COMMON STOCKS

In common stocks these trusts have directly placed $30.7 billion or 61%, with another $1 billion channelled by them through associated common trust funds, the investing cooperative with a maximum subscription of $100,000. Substantiating the rapidly growing "respectability" of common stocks during this equity era, the proportion of the moneys devoted to equities has risen in each of the two past years.

In the case of the common trust funds the 40% proportion placed in common stocks in 1958 offset decreases in the relative amounts invested in bonds, preferred stocks, and real estate loans. The smaller proportion placed in equities by the common trust funds compared with the 61.7% so devoted by the personal trusts, would seem to reflect the former's strong emphasis on yield, as well as the legal restrictions.

### Future Shift Back to Bonds?

This relatively greater emphasis on yield rather than capital appreciation may, particularly in the event of further declining common stock yields, spur an increase in the relative proportions put by the investing public into the appreciation-minded mutual stock funds. The relative proportion of trust moneys put into common stocks may be retarded by accentuation of the presently ruling inverse stock-bond yield ratios. Their holdings of U. S. Government securities have already declined during each of the past three years.

### Collective Investment

A "common trust fund" (as defined by the Internal Revenue Code) is a fund maintained by a bank or trust company "(1) exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as a trustee, executor, administrator, or guardian; and (2) in conformity with the rules and regulations, prevailing from time to time of the Board of Governors of the Federal Reserve System pertaining to the collective investment of trust funds by national banks."

The Reserve Board infers that the sharp growth in the number of common trust funds during the past two years seems to indicate a growing awareness of the adaptability of such funds in handling the investments of a large number of fiduciary accounts. Like the mutual funds, their use permits the managers (the trust institution) to handle the investments of the small individual fiduciary accounts at lower cost and with greater diversification than would be possible if investments of individual accounts were handled separately.

### The Bank Fund vs. the Mutual Fund

Like the open-end mutual funds, the participant in a common trust fund can periodically cash-in his proportionate holding at its current asset value — only quarterly rather than daily. The expense is considerably less than that taken by most mutual funds' purchasing commission ("load") of approximately 8%, plus their continuing management expense of 0.50% or so of asset value. The trustees' commissions are ½% on the first $50,000 of principal, and ¼% on the balance. If there is more than one trustee, they share the commission. On a principal amount of the maximum of $100,000, which is permissible, the total expense would thus be $375 annually; contrasted in the case of the mutual fund with an average of $500 plus the amortization of the load depending on the length of the holding. On any amount of principal less than $50,000, the precise differential favoring the trust fund participant would consist in the amount of the mutual fund's "load."

### A Trustee-Type Investment Company

To the knowledge of this writer the nearest, if not the only, approach to the common trust fund technique in the investment company field is the Boston Personal Property Trust. This closed-end company is administered, with the equipment of a few desks and ledger account books in the austere quarters of Second Bank-State Street Trust Co. in Boston, by five trustees, Messrs. Edward L. Bigelow, Harvey H. Bundy, Francis C. Gray, Henry R. Guild and Moses Williams. These gentlemen who are also engaged in handling other important institutional funds, charge total annual compensation of only $16,000, included as part of the overall expenses of merely $34,000. This tiny aggregate of expense permits the investment flexibility derived from a small-sized portfolio; the total expense amounting only to 0.20% of the comparatively small total of assets, and 7% of investment income (against 52% and 14.7%, respectively, as the average of all investment companies). This light expense levy on the shareholder is further reduced by the fact that as a closed-end company, Boston is purchasable on the market at a sizable discount. Furthermore, the set-up and operating record of this "investment company-trust" invalidates the prevalent popular assumption that abundance of assets is needed as a base for the payment of management expense.

Many surveys of the size and impact of the mutual funds have been made, with another such major survey conducted by the Wharton School, under the aegis of the SEC, now nearing completion. It is to be hoped that the bank-administered trust field will similarly be more thoroughly studied, with full and detailed attention devoted to investing policies—including "Blue Chippy" window-dressing proclivities in lieu of sticking to intrinsic value criteria.

* * *

## CHASING THE CYCLE

That institutions are equally guilty with the amateur in embracing the foible of the up-and-down business fortunes of recognizably cyclical stocks, in lieu of appraisal on long-term mean earnings, is again highlighted by early reports from the mutual funds on their second quarter portfolio changes. A prize example of such chasing of short-term business swings are the funds doings in Ford stock. Coincident with this week's report by the company is its sharp rise in six-months earnings to $5.22 per share.

At its offering in January, 1956, this writer urged avoidance of judging the $64½ offering price on all manner of superficial bases, ranging from "scarcity value" to one-year earnings to aesthetic comparisons of the product with GM or Chrysler to expectations of immediately coming earnings to equal the bonanza auto years of 1955 and 1956. (cf. Observations, *Commercial and Financial Chronicle*, Jan. 26, 1956.) And Mr. Henry Ford II then most conscientiously warned the prospective crowds of lay stock subscribers not to overlook the cyclical nature of the business. On the basis of the earnings record over the preceding decade we forecast $7 as a reasonable future earnings mean —which together with a strong balance sheet, rendered the $64½ subscription price as justified.

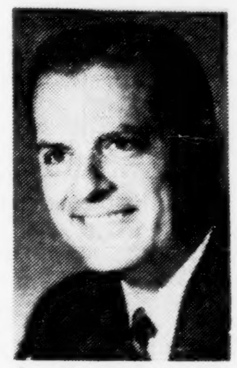
Nevertheless, when subsequent earnings not so surprisingly fell, and the new Edsel laid an egg, institutions as well as the tyros dumped the stock. The two quarters of deficits in 1958 were cited by institutions in high places, as the reason for their disposal of the stock, selling down in the thirties—on the premise that the cycle would never turn up again, or that if it did, "there will be plenty of time then to get back in the stock."

This the funds did, but only after the earnings were unmistakably on the upturn. Thus Ford being the mutual funds' most heavily bought issue during the first quarter of 1959, with the market price ranging from $50¾ to $59½; and with renewed fund buying during the second quarter, when the market price range was, far from the previously available price tags in the thirties, $56⅝ to $75.

Thus, even the expert funds give only lip service to long term value judgments.

## Halsey, Stuart & Co. Elects Officers

Halsey, Stuart & Co. Inc. announces the election as Vice-Presidents of Louis A. Hauptfleisch and Russell C. Vinnedge. Both have been associated with Halsey, Stuart & Co. Inc. for many years, Mr. Vinnedge being a member of the tax-exempt bond department in the home office in Chicago, 123 So. La Salle Street, and Mr. Hauptfleisch being a member of the same department in the New York office, 35 Wall Street.



L. A. Hauptfleisch

Halsey, Stuart & Co. Inc. also announces the election of three additional Assistant Secretaries, Herbert R. Barthen in Chicago and Thomas J. Lytle and Howard W. Sumner in New York.

## Col. Troster Celebrates 40 Years in Street

Col. Oliver J. Troster, Troster, Singer & Co., 74 Trinity Place, New York City, on July 10 celebrated 40 years in Wall Street. He began his career July 10, 1919 with Holt & Co. He was a principal in Holt, Rose & Troster, and later formed his own firm Troster, Currie & Summers, now Troster, Singer & Co.

Oliver J. Troster

Col. Troster, who has served in both World Wars, is commander of the Wall Street Post of the American Legion of which he has been an active member for many years.

## With Waldron & Co.

SAN FRANCISCO, Calif. — Theodore M. Mann is now affiliated with Waldron & Co., Inc. Russ Building. He was previously with Dividend Security Co.

# The State of Trade and Industry

**Steel Production**
**Electric Output**
**Carloadings**
**Retail Trade**
**Commodity Price Index**
**Food Price Index**
**Auto Production**
**Business Failures**

To the surprise of everybody, the Washington authorities announced last Tuesday that the Secretary of Labor, James P. Mitchell will personally conduct a one-man continuing investigation of background and developments in the steel strike and report his observations to President Eisenhower. No settlement recommendations and no public hearings will be made by Secretary Mitchell.

### Total Industrial Output at New Record

For the fourth consecutive month the Federal Reserve Board's Index of Industrial Production set a new all-time high in June. The index stood at 155 (1947-49=100), up 1% from May and 17% higher than that of June, 1958. Gains from the prior month in durable goods were more noticeable than in nondurables, according to Dun & Bradstreet, Inc., "Trade Review of the Week."

### Nationwide Bank Clearings 1.1% Above 1958 Week

Bank clearings this week show an increase compared with a year ago. Preliminary figures compiled by us, based on telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, July 18, clearings from all cities of the United States from which it is possible to obtain weekly clearings will be 1.1% above those for the corresponding week last year. Our preliminary totals stand at $24,787,451,384 against $24,516,-055,137 for the same week in 1958. At this center there is a gain for the week ended Friday of 3.8%. Our comparative summary for the week follows:

| Week Ending July 18— | 1959 | 1958 | % |
|---|---|---|---|
| New York | $13,105,669,109 | $12,626,798,356 | — 4.1 |
| Chicago | 1,467,359,068 | 1,213,953,004 | + 2.1 |
| Philadelphia | 1,119,000,000 | 1,040,000,000 | + 7.6 |
| Boston | 765,706,063 | 709,277,793 | + 8.0 |

For a detailed summary of bank clearings in U. S. A. refer to the Statistical Edition of the "Chronicle," issued Mondays. For this week's summary, refer to page 49 of the Monday, July 20, issue.

### Steel Inventories Deemed Sizable

Steel users did a better job of building inventories than earlier predictions had indicated, according to "The Iron Age," national metalworking weekly.

"Iron Age" said a recent check shows that steel users went into the strike with inventories of 23 to 24 million tons—two to three million tons higher than estimates of several months ago. Metalworking plants added close to 10 million tons to stocks in the first half.

But the magazine warned that this huge over-all inventory does not mean that steel users could weather a 100-day strike. Far from it. These inventories, "Iron Age" said, are not in balance, and they are not evenly distributed. Some users have more than 100 days over-all supply, others less. But few, if any, have perfect balance in terms of products, grades, gauges and sizes.

As a result, the magazine asserted that a few steel users would begin to feel the pinch in less than a month. And the impact would grow with each succeeding week. After six weeks, the effect on the economy would verge on the serious.

Another cause for worry, said "Iron Age": If the strike lasts any length of time—and there is a good chance that it will—many plants will need every bit of cushion they have. The customer who is not already on order books will have to wait as long as two months after the startup for flat-rolled products—sheet and strip.

One bright spot in the picture, said "Iron Age," is the fact that mills representing more than 15% of the industry's capacity will continue to operate during all or part of the strike period. Its current issue lists more than 70 such plants—mills whose contracts have not yet expired, or who have been granted an extension, or who are not under contract with the United Steelworkers Union. These mills account for about 23 million of the industry's 147.6 million ton annual capacity.

Many steel users also are turning to steel service centers (warehouses) for help. The service centers went into the strike with record inventory of 3.7 million tons, according to the American Steel Warehouse Assn. However, some of these warehouses, those affiliated with struck mills and represented by the steel union, have also been struck.

As for prospects for a settlement, "Iron Age" said it looks like a long strike barring positive action by President Eisenhower. Administration sources are worried over the possible impact of the strike on (1) the general economy, (2) the Federal budget, (3) international prestige, and (4) defense. At the same time, the Administration would like to avoid any knocking of heads unless the strike lasts long enough to imperil the national welfare. Should that happen, the government can invoke the emergency provisions of the Taft-Hartley Act to put the men back to work during an 80-day "cooling off" period while a fact-finding board studies the issues involved.

These issues, said "Iron Age," are basic. Briefly, the companies want to extend the old contract as is in a move to fight inflation. If that is not agreeable, then they offer to consider minimum fringe and wage improvements if the union will agree to changes in local working practices to permit greater management latitude in improving efficiency in the plants. The union is demanding a 15-cent-an-hour fringe and wage package. It further accuses the companies of trying to break the union in asking local work rules changes.

### Steel Production This Week Will Be Below 13% of Capacity

Steel users will be able to go a month yet before running short of steel, "Steel" magazine said today.

Even then, their troubles will be only spotty—an occasional

*Continued on page 38*

# Beech-Nut Life Savers, Inc.

By DR. IRA U. COBLEIGH

***Enterprise Economist and Author of "How to Get Rich Buying Stocks."***

**A midsummer look at this uniquely successful enterprise whose well advertised products are preferred by adults, and acclaimed by the younger, and the youngest, sets.**

Beech-Nut Life Savers, Inc. was formed in 1956 by a merger of Life Savers Corp., creator of the mint with the hole, with Beech-Nut Packing Co., famous for gum, coffee, peanut butter and baby foods. The result is a large and well managed manufacturing and merchandising company ranking first in the nation as a producer of mint and fruit flavored candy drops; second as a processor of baby foods; and third in chewing gum manufacture. As a measure of its magnitude, total net sales were almost $115 million for 1958.

Ira U. Cobleigh

If every customer were a stockholder, Beech-Nut Life Savers, Inc. would have many times more certificate holders than American Tel. and Tel. Tens of millions of Americans, of all ages, know the delights of Beech-Nut gum or have sucked contentedly on Life Savers. And those too young to recognize either the package or the flavor of these are, by the hundred thousands, gaining stature by nurture on Beech-Nut Baby foods. Here is a company with well established markets for its output, enthusiastic consumer acceptance, a sound growth potential and a money-maker to boot. The Beech-Nut record for continuous and uninterrupted dividend payments extends back for 57 years in a row.

The three years that have elapsed since the merger have provided the time for efficient coordination of divisions, improved cost controls, and application of more efficient and dynamic sales techniques for which Life Savers had long been famous. For instance, before the merger both Life Savers, and the Beech-Nut gum division each had about 240 service-salesmen on the road, in many instances duplicating each other's territories. Consolidation of the sales force in the Gum-Candy division eliminated over a hundred men, streamlined the sales effort, and reduced costs. Further, at the time of merger Life Savers had on location in retail outlets over 500,-000 display cabinets, usually placed with maximum visibility, abeam of the cash-register. This nation-wide army of silent salesmen was soon doing double duty selling Beech-Nut chewing gum, plain and candy coated.

The baby food business, from which Beech-Nut derives some 40% of net sales, is a dynamically growing one. Totally, this industry did a gross business of over $300 million in 1958, up $50 million over 1956. At Beech-Nut, the baby and junior food line is complete. For infants everything is strained from soups to vegetables with beef, lamb, or bacon, to desserts of custard pineapple, orange, plum or tapioca. Nary a bone, a hunk of gristle, or a prune pit to challenge or test infant windpipes or maternal vigilance. Junior foods parallel the baby lines; and there are strained fruit juices—orange, apple and pineapple—so smooth and flavorful that parents often find themselves starting off the day with a glassful themselves.

The newest of these food items is the line of strained and chopped meats, merchandised under the Beech-Nut label, but prepared under an arrangement with the Geo. A. Hormel Co. This meat line should continue to expand very rapidly, and makes Beech-Nut complete and competitive, in respect to what the well fed infant will dine upon.

Beech-Nut has gained quite a reputation, especially in the northeast, for its coffees. It offers a complete line—regular, drip grind, and instant. Coffee has, however, been in a weak market position for some time. There have been drastic cuts in wholesale coffee prices in the last three years so that, today, coffee at wholesale is selling at less than half its prices three years ago. As a result, for the first six months of 1959, while profit margins are about the same as last year, the dollar volume has declined.

Rounding out the Beech-Nut product-mix are Pine Bros. glycerine cough drops, Beech-Nut cough drops; and of course Beech-Nut peanut butter, for decades a pantry shelf favorite in countless homes (including mine).

Having thus concluded a brief inventory of Beech-Nut wares, let us switch to some of the financial data upon which investors, analysts, and customers' brokers set such store. Financially speaking Beech-Nut Life Savers is magnificently solvent. Net working capital at the 1958 year end was $50.9 million. Capitalization could hardly be simpler—a long term note of $5 million, no bonds and no preferred stock. Publicly held securities consist solely of 3,224,-547 shares of common stock ($10 par value) listed on the N.Y.S.E. and selling currently at 37½. The range in 1959 has been between 36 and 43¾. The indicated dividend is $1.60 amply supported by per share earnings of $2.52 for 1958.

Some indication of operating efficiency and cost control at Beech-Nut is found in the fact that per share earnings for 1956, when the company grossed $123 million, were $2.49; while for 1958 on a gross of only $115 million the per share figure was $2.52 (on a slightly larger number of outstanding shares).

For this year the first six months were almost a duplicate of the similar period in 1958. Both net sales and net per share were virtually identical. Coffee sales were down somewhat; gum and candy sales up about 11%; and baby foods and cereals off very slightly.

A feature of Beech-Nut Life Savers Inc. has long been its extensive and intensive advertising program. For 1958 the advertising outlay was in the order of $9 million and the figure will probably be larger in 1959. All media are employed, with increasing accent on television. The Dick Clark Show has been most successful and has a terrific following among teen-agers—the biggest market for Beech-Nut Spearmint Gum. Beech-Nut Peppermint is building up its sales volume from advertising on the Colt .45 show—a shooting Western for the chewsy!

In 1958 Beech-Nut increased its newspaper advertising 806% over 1957. Newspaper advertising, daily and Sunday, plus baby-care magazines will be extensively used in advertising 6 new dinner combinations (three strained and three Junior) using meat and poultry with rice or noodles.

Plant additions and improvements in 1958 involved an outlay of about $2 million (a little less than the depreciation reserve). This year the company is increasing its facilities at Canajoharie, N. Y., where the company's 5 baby cereals will be produced in 1960.

Beech-Nut Life Savers Inc., on review, shapes up as a progressive manufacturer of well advertized and smartly merchandized consumer goods. High standards of quality have been maintained and packaging has been efficiently and imaginatively designed. The 4,030 employees and over 19,000 stockholders in this forward-looking enterprise may well take pride in their company's products and company prestige. While Beech-Nut Life Savers common stock is unlikely to appear on any list of market speculations for fantastic rise, it is an equity long respected for sustained earning power, strong balance sheets, steady dividends, smart management and a long term horizon of growth. At 37½ the stock yields 4.25 and the $1.60 dividend is exceedingly well protected.

# Only One Threat Confronts The Private Electric Industry

By CHARLES M. HAGAN*
President, Atlantic City Electric Company
Atlantic City, New Jersey

**New Jersey utility head is optimistic about his industry's future in the absence of encroaching, unfair Federalized power competition. The fact that there is no equality in taxation and no end to unfair government comptition, he says, makes the increasing growth of publicly owned or financed electric power a significantly dangerous threat which must be stopped. One of the most insidious practices, Mr. Hagan avers, is the use of the "preference clause" which gives public agencies a priority in the purchase of power from Federal projects.**

I am honored and pleased to welcome your group to Atlantic City. I am particularly pleased to be permitted to say a few words about our industry and particularly about some of the problems of our industry.

Charles M. Hagan

As one of the important branches of the electric industry, I am sure I do not have to take too much time telling you that you are part of an exciting and dynamic business.

Today, the American Investor-Owned Electric Industry sells over $9 billion worth of electricity each year to more than 56 million customers. The industry has invested in capital over $35 billion.

Yet we are still not too sure just what electricity is. Electricity, whatever it is, is a fabulous commodity. It's almost as commonplace yet as indispensable as water. In addition to supplying energy to our great American industries, almost every room in our homes has one or more electric outlets. From the millions of these plug-in receptacles, kilowatts are constantly on tap—night and day, summer and winter, to light our homes, clean our rugs, wash, dry and iron our clothes, preserve and cook our food, heat our water and operate a host of other labor saving appliances. And now, just on the horizon of vast acceptance is the all year air conditioning and climate control by electricity for our homes, factories and places of business.

In other words, in our business we say: "In the modern home of today, the switch controls everything but the children."

Whatever electricity is — one thing we do know. We must have plenty of it and year after year must spend millions of dollars to add generating and other equipment to make sure we have it in abundance.

Despite the 1957 - 58 recession when over-all industrial production in 1958 averaged 6.3% below the 1957 level, generation of electricity by the investor - owned electric industry increased 2%.

During 1958, electric companies actually increased their construction expenditures 2.3% over those of 1957. This is in sharp contrast to the 17.4% reduction for American Industry as a whole. The $3.8 billion spent by our industry on new plants and equipment in 1958 was $100 million over 1957 expenditures. This was an all-time high and represented one-eighth of the 1958 expenditures, of new facilities by all American industry. I deplore using a lot of figures, but I feel they are important for they demonstrate the stability and strength of the investor - owned electric utilities during a period of stress, which now appears to have been adjusted.

*From a talk by Mr. Hagan before the National Electrical Contractors Association, Atlantic City, N. J.

In our industry it is not enough to look only at what may happen next year. We must make a 10 year forecast based on projecting past experiences, on knowledge of present day facts, and some knowledge of future requirements, and on seasoned and experienced judgment throughout our industry.

### Refers to Recent E.E.I. Meeting

Recently at the meeting of the Edison Electric Institute in New Orleans, Jack Corette, past President of E.E.I. made some predictions reflecting some of the basic assumptions of the leaders of the industry. Here are some of Mr. Corette's assumptions: That generating capability in our industry will double by 1968. This will mean American generating capability will increase to 290 million kilowatts; that actual generation should more than double with customers increasing 25%, from 56 million to 70 million by 1968.

This fantastic forecast should sound encouraging to the Electrical Contractors of America — it certainly indicates that their work for the next 10 years has been cut out for them.

Other forecasters at the E.E.I. were just as optimistic. Mark Cresap, Jr., President of Westinghouse, made the statement that 10 years from now the average residential customer will be using more than 6,800 kilowatt hours compared with 3,366 average consumed in the past year. He also made the same prediction for commercial loads.

While some of the speakers were alarmed at the gas competition that has been apparent in the last few years, most forecasters were optimistic about the electrical future. Several of the speakers pointed out that the all-electric home, the total electric home including electric heat, would be the key to the expansion story. One speaker said we have a total of 500,000 electrically heated homes in America today. He estimated that there would be 4 million such totally electrified homes by 1968. This means one out of every 14 homes in America must be heated electrically by 1968 to reach this goal. I might add that the electric industry does not expect this to just "happen." They expect to support it with hard-hitting national promotions. This has already begun.

Two-thirds of the member companies of E.E.I. are now participating in such a program and have voluntarily contributed over $2½ million for its support. It is expected that this sum will reach $12 million when it hits full stride nationally. Another hard hitting campaign during the present and coming year of 1960 will be the Live Better Electrically Program on the Medallion Home.

The E.E.I. Program and the Live Better Electrically Program will carry spectacular advertising in high circulation publications such as *Life, Saturday Evening Post, Look, Better Homes and Gardens,* and other major publications. Daytime television shows will stress massive, efficient coverage directed to the housewife and complement the bigger night time show of appliance manufacturers to reach the man who pays the bill. Already three top daytime shows "The Price Is Right," starring Bill Cullen, "Young Doctor Malone," and "Country Fair," starring Bert Parks, are being utilized for these programs. Another hard hitting program will be "Housepower." Spectacular advertisements in *Life* magazine plus hard selling all-electric television announcements will be used to stimulate interest in this adequate-wiring program. All of these programs should be of interest to Electrical Contractors.

In our business we feel our greatest opportunity lies in growth—national growth and the ever increasing expansion of our economy. Growth has been phenomenal in the past 10 years but **will become more phenomenal in the next 10 years.** Projected figures indicate increased production of all goods including new appliances and new homes. New schools will surely be needed for the huge increase in numbers of children, who in the decade ahead will be reaching the age when they form families of their own. All of this will have a terrific effect on our total production of goods and services by 1969. Some forecasters have said it should reach almost $700 billion annually by that time.

### Government's Competition

I would be remiss if I left you with the impression that everything was optimistic and rosy in our business. There are many problems and I would like to discuss one of the most serious and this is Federal Government's role in business—and more particularly in the electric power business.

Government in America today has what has been called "Political Elephantiasis," as was clearly indicated when the late Rowland Hughes, who was Director of the Bureau of the Budget said:—and I quote—

"The Federal Government is, among other things, the largest electric power producer in the country, the largest insurer, the largest lender and the largest owner of grain, the largest ship owner and the largest fleet operator. For a nation which is a citadel and the world's principal exponent of free enterprise and individual initiative, this is an amazing list."

A recent Budget Bureau report found the Federal Government engaging in approximately 20,000 commercial business enterprises each of which could have been handled by an investor-owned business.

This trend is continuing as evidenced by such proposals as the so called "TVA Revenue Bond Bill," which incidentally passed the House last May. The Columbia Valley Development Corporation Bill; The Great Plains Administration Bill, of the last Congress; The Socialized Medicine Bill; The Federal Housing Bill, already passed, and many others.

Back in 1932 exponents of free enterprise were alarmed that 7% of the country's electric generating capacity was government owned or financed. By 1940 this had increased to 14% of the total generating capacity and in 1957 — 25% of generated power in the United States was either government owned or government financed.

Very few people realize how near we are to socialism under the guise of the Federal power program. We have learned by bitter experience that the Federal power projects such as TVA and others were authorized extensively for the purpose of irrigating arid lands or controlling floods or for navigation aid, often turned out to be the means of putting the Federal Government into the power business further.

TVA started as a means of disposing of the electric output from Wilson Dam back in the late 20s. It secured some steam plants in the course of its acquisition of utilities in that area, and built other steam plants during World War II under the guise of National Defense. It built the new Johnsonville Steam Plant on the plea that it was responsible for the defense power supply in the area and then the lid was off. Today TVA is a steam electric system using the original hydro-power for peaking purposes only.

For awhile there were indications that the trend into the power business would be halted. When Congress refused to appropriate additional funds for expansion of TVA they turned to the new device of expansion through TVA Revenue Bonds. If and when this bill is authorized, the lid will really be off—all over the nation.

### Federal Tax Discrimination

Tax avoidance in connection with public electric power is of great magnitude today. Users of electric power produced by Federal projects contribute only 2½% of the total taxes paid by customers of investor-owned electric industry.

When related to revenues, investor owned electric companies in America pay approximately 23% of their total revenue in taxes. On the other hand government owned or financed projects pay only 2.4% of their revenues in taxes. In other words, the rates of the investor-owned electric companies are about 28% higher than they would be if these companies paid the same taxes as government owned or financed projects.

Incidentally, you may have seen the advertisement which appeared in the New York "Times" (May 31, 1959) inserted by the Tennessee Industrial and Agricultural Development Commission, pointing out that Industry could buy Industrial power as low as 6.03 mills per kilowatt hour. A private company such as ours pays almost this much per kilowatt hour for taxes alone. TVA offers power at 6.03 mills yet it costs us 6.49 mills per kilowatt hour for production alone. In other words, they are selling power at less than half it costs our company to produce electricity at the Bus Bar. Production and taxes cost a private company $.01208 per kilowatt hour at the Bus Bar.

### Discriminatory Preference Clause

One of the most insidious things about public power and mostly responsible for its amazing growth is the preference clause, a legal device by which public agencies have a priority over all private utilities in the purchase of all of the power from every Federal project. This discrimination over private utilities exists even though the private utility is serving preference customers such as R.E.A.'s, Muncipalities and Military Installations. This preference is an encouragement to the creation and development of government owned, government financed and tax subsidized power systems.

As far back as 1925 — Carl D. Thompson, nationally known Socialist, at that time said and I quote —"The movement for public super power becomes the most vital phase of the public ownership movement. The control of electric power—will obviously carry with it the control of industries of the nation, the control of transportation, of mining, and agriculture—it will also dominate and determine very largely the domestic life of the people—electric power is the key to the coming civilization. The struggles, therefore, to secure public ownership and control of this great strategic resource—may yet become the supreme issue—of America and the World."

To preserve those things which make America great, we must always be considerate of what is going on in this country, what the trends are and where they lead. Because, ordinarily, once you have lost a right or privilege, it is too late to do anything about it.

We must, as individuals, and as an industry join with other good Americans in taking an active and aggressive stand against the Federal Government's role in encroaching on our right to do business with equality in taxation and free of unfair government competition.

## COMING EVENTS

**In Investment Field**

**Aug. 6-7, 1959 (Denver, Colo.)**
Bond Club of Denver 25th anniversary dinner and field day to be held jointly with Denver Investment Bankers Association Group (dinner Aug. 6 at Petroleum Club; field day Aug. 7 at Columbine Country Club).

**Aug. 9-21, 1959 (Charlottesville, Va.)**
School of Consumer Banking, University of Virginia.

**Aug. 14-15, 1959 (Detroit, Mich.)**
Basis Club summer outing at St. Clair Inn and Country Club, St. Clair, Mich.

**Aug. 19-20, 1959 (Des Moines, Iowa)**
Iowa Investment Bankers Field Day at the Waionda Country Club.

**Sept. 17-18, 1959 (Cincinnati, Ohio)**
Municipal Bond Dealers Group of Cincinnati annual outing — cocktail and dinner party Thursday at Queen City Club; field day, Friday, Kenwood Country Club.

**Sept. 23-25, 1959 (Milwaukee, Wis.)**
National Association of Bank Women 37th annual convention at the Hotel Schroeder.

**Sept. 28-29, 1959 (Toronto, Canada)**
Association of Stock Exchange First Board of Governors meeting at the Royal York Hotel.

**Oct. 14-17, 1959 (Philadelphia, Pa.)**
Consumers Bankers Association 39th annual convention at the Warwick Hotel.

**Oct. 20-23, 1959 (Hollywood-by-the-Sea, Fla.)**
National Association of Supervisors of State Banks annual convention at The Diplomat Hotel.

**Oct. 22, 1959 (Cincinnati, Ohio)**
Ohio Group of Investment Bankers Association annual fall meeting.

**Nov. 1-5, 1959 (Boca Raton, Fla.)**
National Security Traders Association Annual Convention of the Boca Raton Club.

**Nov. 29-Dec. 4, 1959 (Bal Harbour, Fla.)**
Investment Bankers Association Annual Convention at the Americana Hotel.

**April 6-7-8, 1960 (Dallas, Tex.)**
Texas Group of Investment Bankers Association of America 25th annual meeting at the Sheraton Dallas.

## Wright Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif. — William Foster, Jr. has been added to the staff of Wright Investment Co., First Western Bank Building.

## Form Dexter Horton Realty

Dexter Horton Realty Company has been formed with offices at 19 West 44th Street, New York City, to engage in a securities business. Partners are Louis S. Adler, Walter Yohalem and Harry Ball.

# How Much Real Sovereignty Will There Be in Canada?

By JOHN DAVIS*
Director of Research
British Columbia Electric Company, Ltd.
Vancouver, B. C.

**Remedial proposals by Canadians that are increasingly making their appearance in response to a sense of disquiet over the social and political implications of increasing foreign ownership and control, and their counter arguments, are outlined by Mr. Davis. Whether a country can have a meaningful, independent existence under circumstances and projections depicted is said to involve such matters as: (1) investments understate historical and, thus, the amount of today's worth; (2) half of profits go to non-residents and could increase to 70% in 20 years; (3) investment has shifted from debt to equities and inflation spurs this on; and (4) complaints about business policies laid down by USA regarding managership, exports, research and corporate giving. Mr. Davis, of course, similarly points out advantages accruing to Canada as a result of foreign investment.**

Canada and the United States are two separate nations. Although they exist side by side, talk a common language and are accustomed to trading backwards and forwards together, theirs have been different histories. One—the United States — was shaped, if not born, in revolution. The other—Canada — has evolved, slowly, into an independent state. From a few sparsely settled and widely separated colonies, she has gradually assumed the status of a nation — a nation whose allegiances can still be traced abroad; to the Commonwealth of Nations and the Colombo Plan, as well as to the North Atlantic Treaty Organization and the U.N.

Dr. J. Davis

We are very much dependent upon international trade whereas the United States is not. Our economy is still in a relative early stage of its development. The American economy is, by any measure, mature. Canada, because it is still growing at a fantastic rate, is a net importer of capital. The United States, on the other hand, generally saves more than she can spend. Her citizens are, therefore, in a position to invest heavily in other parts of the world. No longer are they apprehensive, as we Canadians are, about the political and other ramifications of foreign ownership and control. In these things we differ—and differ markedly—one from the other.

I have purposely stressed our differences. But overlying them are the thousand and one things which we have in common. Our Canadian accent is not too readily identifiable in the United States. The car I drive and the home I live in bear the unmistakable imprint of Detroit and Park Forest. We in Canada also keep to the right side of the road, scramble for elevators designed by Otis-Fensom, hammer typewriters built by International Business Machines, frequent American-style super-markets, watch Ed Sullivan on TV and take more than our fair share of holidays in Florida and California.

Yet the resemblance by no means ends there. Frequently, we work, too, for the *big Corporation*. Even the names seem the same; be they General Motors, General Electric or General Foods. To the extent that we identify our own best interests with those of our employers, we, in this respect, are also Americans. The dividing line—if there is any in business—is the International Boundary. There, to the north of you, we labor on. Mark you, we still draft our own laws, keep an eye out for the Royal Canadian Mounted Police and sing "O Canada" at the opening of many of our state functions.

As may already have been gathered from what I have said, Americans have a large stake in Canada.[1] This is the impression which I wish to create. United States investment in Canada is known to be approaching $14 billion.[2] That is getting on towards $1,000 for every man, woman and child in our 10 provinces. It is more than three times our annual investment in new industrial plant and equipment. It is more than five times the annual value of our exports to the United States. It is about 10 times the net savings of Canadians as individuals. . . . Let me put it another way; even if Canadians devoted all of their personal savings to the task, it would take at least a generation to buy out this large sum.

### Understating Historical Investment

I know that I am still in danger of understating the true value of these investments. No business would freely accept, in compensation, the original price which it paid for the various rights or assets which it had acquired in Canada. Nor would right thinking Canadians expect it to. I raise this point because I think our published statistics should be recognized for what they are. They consist, in large part, of historical "book values." As such, they make no allowance for inflation. Nor do they recognize the fact that money spent on exploration and development has frequently led to the creation of resources which now have a market value many times their original cost. Something would also have to be added for the fact that these investments are of the character of "going concerns." Further profits would enter into the calculations and Canada's credit-worthiness would be very much at stake.

Only $14 billion? If I had to guess, I would put the present **market value** of United States private investments in Canada at around $20 billion. It is an amount, furthermore, which is rising, year by year. If it keeps on jumping $1 billion at a time, it will soon be as great as Canada's Gross National Product. Imagine the American reaction if the shoe were on the other foot. What would you think about a level of foreign investment which was equal to your total yearly output of goods and services in 1959? Even in 1914, the highest year on record, it was less than 15% of the then national income of the United States.

Neither do we have, as yet, any indication as to when this influx of United States capital is coming to an end. Some may have heard of the Royal Commission on Canada's Economic Prospects, popularly referred to as the Gordon Commission. Its task was to determine, not only the current state of our nation, but also what we Canadians can expect things to look like in the 1970's and 1980's. The Gordon Commission deliberated for two and a half years and concluded, logically enough, that our country would go on growing. It might continue to grow faster, if anything, than the United States. Our more promising industries were likely to have to do with secondary manufacturing and resource development. They included metal mining, industrial minerals and oil and gas. Pulp and paper were well up the list, as were chemicals and the manufacture of electrical apparatus, electronic equipment and motor vehicles. Other consumer durables were well to the fore. Yet these are, without exception, industries which are predominantly United States owned and controlled. Only in the case of steel and electric power could the participation still be said to be largely in Canadian hands.[3]

Most of the industries which remain under Canadian ownership and control are geared more closely to population growth. Instead of reproducing themselves every 10 or 15 years, they may take two or three decades to double their output. Agriculture falls under this heading, as do the fisheries. Here we find leather goods, textiles, clothing and most foods and beverages. Rail transportation, banking and the insurance business are still largely Canadian. So, with the exception of some of our chain stores, is wholesale and retail trade. Canadians are putting up their own homes, building their own schools, constructing their own roads and paying for the expansion of many of the services which are deemed to be essential to the North American way of life. But, lacking the necessary savings and rarely being "in the know," they are not taking much of a proprietary interest in industry as such.

### Foreign Ownership

Today, nearly 60% of all Canadian primary and secondary industry is foreign owned and controlled.[4] By 1980, the proportion will be closer to two-thirds. Well over half the profits paid out by Canadian business goes to non-residents.[5] Twenty years from now, the proportion could be about 70%. These, if you like, are the rewards for "risk taking." To the extent that they are reinvested in other Canadian undertakings, they will still be a capital asset to Canada. Yet their very magnitude may make it impossible for future generations of Canadians to get in on the ground floor, so to speak, and to begin to buy back their "national heritage."

Canadians are not altogether oblivious of these facts. How can they be, when the subsidiaries of United States firms generally occupy larger plants, use more machinery and equipment and pay higher wages than do their Canadian counterparts? Whereas the average investment in Canadian manufacturing is about $250,000, the average plant built by United States capital cost $2 million. Employees of the larger United States firms receive about $4,000 a year, as compared to the Canadian average of less than $3,500.

*An address by Dr. Davis, before the Seminar of the World Affairs Council of Northern California on the subject of Canadian-American Relations, San Francisco, California.

1 U. S. investment in Canada is roughly equal to *total* of all investments in South America and twice those in Western Europe. A recent U. S. Government publication indicates that nearly 40% of all U. S. investments abroad are in Canada.

2 The Dominion Bureau of Statistics has indicated that U. S. long-term investment in Canada amounted to $10,289 million in 1955 and $11,651 million in 1956. Provisional estimates for 1957 are $13,035 million and for 1958, $13,600 million. More than 75% of all such holdings are held by residents of the U. S.

3 U. S. firms presently control Canada's oil and gas industry to the extent of 75%; mining, 65%; chemicals, 60%; pulp and paper, 50%; motor vehicles and parts, 98%; rubber, 88%; electrical apparatus, 68%; and "all other manufacturing," 45%. For all mining and manufacturing, U. S. control now amounts to about 55%.

4 This ratio excludes the railways (16%); other utilities (14%); and merchandising and construction. Including these latter categories, the overall foreign interest works out at between 25 and 30%.

5 This aspect of Canada's financial structure can have far-reaching effects. A very large part of Canadian corporate earnings is not available for extending Canadian ownership and control, since it is only at the disposal of nonresidents, either for withdrawal or for reinvestment on their own account in Canada.

*Continued on page 22*

# Dealer-Broker Investment Recommendations & Literature

*It is understood that the firms mentioned will be pleased to send interested parties the following literature:*

**Automotive Outlook**—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.
**Burnham View — Monthly Investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available in current Foreign Letter.**
**Chemical & Pharmaceutical Briefs**—Bulletin—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.
**Growth Stocks vs. Bonds**—Study—McDonnell & Co. Incorporated, 120 Broadway, New York 5, N. Y.
**Insurance Stock Survey**—Annual comparative analysis of 109 insurance companies—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.
**Japanese Stock Market** — Study of changes in postwar years—In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of **Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co.** and a survey of the **Steel Industry.**
**Japanese Stocks**—Current Information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.
**Japanese Stocks**—Spot quotations—Daiwa Securities Co., Ltd., 8,2-chome Otemachi, Chiyoda-ku, Tokyo, Japan.
**Over-the-Counter Index**—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.
**Paper & Paperboard Production**—Summary—American Paper and Pulp Association, 122 East 42nd St., New York 17, N. Y.
**River Transportation**—Analysis of investment opportunities—A. G. Edwards & Sons, 409 North Eighth Street, St. Louis 1, Mo.
**Treasury Refunding**—Appraisal—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Beneficial Corp.**
**When Growth Stocks Are Bargains**—Bulletin—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

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**Alabama Gas Corporation**—Report—Georgeson & Co., 52 Wall Street, New York 5, N. Y.
**American Investment Company of Illinois**—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are brief analyses of **Maryland Casualty, New York Air Brake** and **Pittsburgh Metallurgical.**
**Avondale Mills**—Bulletin—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.
**Burlington Industries, Inc.**—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Lykes Bros. Steamship Co.**
**J. I. Case Co.** — Memorandum — Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.
**Cerro de Pasco Corporation**—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.
**Chesapeake & Ohio Railway Company**—Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y. Also available is a report on **Columbia Broadcasting System.**
**Citizens Utilities Co.**—Memorandum—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y.
**Fed-Mart Corporation**—Study—Lentz, Newton & Co., Alamo National Building, San Antonio 5, Tex.
**Foundation Company of Canada**—Study—Charles King & Co., 61 Broadway, New York 6, N. Y.
**Fruehauf Trailer Co.**—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa. Also available is a memorandum on **Morgan Guaranty Trust Co.**
**Grolier Society Inc.**—Analysis—Jesup & Lamont, 26 Broadway, New York 4, N. Y.
**High Point Chemical Co.**—Analysis—Pearson, Murphy & Co., Inc., 50 Broad Street, New York 4, N. Y.
**International Harvester Co.** — Memorandum — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is an analysis of **Food Machinery & Chemical Corporation.**
**International Harvester Co.** — Memorandum—Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y.
**Irving Trust Company**—Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.
**Koehring Company**—Bulletin—De Witt Conklin Organization, Inc., 120 Broadway, New York 5, N. Y.
**Lindly & Co., Inc.**—Analysis—S. Weinberg, Grossman & Co., Inc., 40 Exchange Place, New York 5, N. Y.
**Magnavox Co.** — Report — A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available is a comparative study of **Fire and Casualty Insurance Companies for 1958.**
**McGraw Edison Company**—Analysis—Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y.
**Mesta Machine Co.**—Memorandum—J. R. Williston & Beane, 2 Broadway, New York 4, N. Y.
**Mission Development** — Analysis — Hardy & Co., 30 Broad Street, New York 4, N. Y.
**Murray Company of Texas** — Analysis — May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.
**Nalco Chemical Co.**—Memorandum—Blunt, Ellis & Simmons, 208 South La Salle Street, Chicago 4, Ill.
**Otter Tail Power Co.**—Memorandum—Piper, Jaffray & Hopwood, 115 South Seventh Street, Minneapolis 2, Minn.
**Parker Rust Proof**—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **International Mining Corporation.**
**Phaostron Instrument and Electronic Company** — Analysis—Searight, Ahalt & O'Connor, Inc., 115 Broadway, New York 6, N. Y.
**Philadelphia & Reading Corporation** — Bulletin — Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.
**Pittsburgh Metallurgical**—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.
**Richardson Co.**—Memorandum—H. B. Shaine & Co., McKay Tower, Grand Rapids 2, Mich.
**St. Regis Corporation**—Report—M. J. Reiter Company, 54 Wall Street, New York 5, N. Y.
**Southern Company**—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Texaco, Inc.**
**Southland Life Insurance Co.**—Memorandum—Dallas Union Securities Co., Inc., Adolphus Tower, Dallas 2, Tex.
**Textron, Inc.**—Study—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Dresser Industries, Inc., Interstate Power Co.** and **Wisconsin Power & Light Co.**
**Thomas Industries, Inc.**—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.
**U. S. Freight Co.**—Memorandum—Mitchell, Hutchins & Co., 231 South La Salle Street, Chicago 4, Ill.
**United States Pool Corporation**—Report—General Investing Corp., 55 Broadway, New York 6, N. Y.



# Our Reporter's Report

Judging by all outward appearances the customary midsummer doldrums have gripped the corporate new issue market. Underwritings have tapered off to little or nothing with only an occasional offering of substantial proportions making its appearance.

**But, if you listen to observers who are in a position to see what is going on, or who have the contacts that keep them informed, demand for new capital is sizable and persistent in spite of indications to the contrary.**

The major difference is that this demand is not pursuing more or less normal channels. That is, it is slipping past the investment banker and reaching the ultimate buyer via the private placement route.

**Pension funds, which have become an increasingly potent factor in new capital formation over a period of years, now are reported to be active in seeking out direct offerings. And what is more important, they claim to be able to secure top-grade names for substantial amounts in this manner.**

Moreover, this paper is bearing 5% to 5½% coupons and, frequently, the indenture provides for a 100% sinking fund, sufficient to retire the entire debt by maturity.

Presumably, if the pension funds are collaring this type of business it follows that the insurance companies who have been active in the field over a much longer period, are getting their share of such current offerings.

**Scraping Bottom**

Astute students feel that the bond market is approaching, if it is not scraping bottom. Citing the scope of the adjustment that has occurred in prices and yields over the period of a year they feel that the secondary market has discounted such change as has developed in the money market basically.

**For the moment, however, things are in a state of flux what with Congress balking on yield to President Eisenhower on the Treasury interest rate ceiling among other things. Yield, or not, the Treasury must have the money it needs and accordingly must meet the competition.**

Whether at long-term or short-term the going rate is the price of accommodation as witness the current refunding terms offered to holders of some $14 billion of maturing debts.

**Taken Down Quickly**

When an issue measures up to what prospective buyers are looking for, as for example this week's offering of $50 million pipe line bonds of Tennessee Gas Transmission Co., it moves out quickly to investors.

**This particular issue had not only an attractive yield, 5.15%, but it also carried a maturity that looked good to portfolio managers, 20 years.**

And to top off other things it was provided with a sinking fund which would retire up to 91% of the entire issue by the time maturity comes around.

**Slowed to Walk**

Vacations can hardly be presenting any real problem for underwriters and their staffs at the moment. There is hardly enough new business to keep things warm and next week promises more of the same.

**Only a single competitive bidding deal is in the cards that being Public Service Co. of New Hampshire's $8 million of bonds being put up for sale on Wednesday.**

Monday's calendar again presents largely an "if and when" prospect, there being a host of potentials but all of the small type. Tuesday finds American-Saint Gobain Corp. ready to put $11,221,500 of debentures on the market, with U. S. Plywood Corp. due to float $15 million of debentures and Seiberling Rubber another $3 million.

## Simon Goldstein Opens

Simon Goldstein has opened offices at 565 Fifth Avenue, New York City, to engage in a securities business.

## M. E. Greenfield Opens

Marvin E. Greenfield is conducting a securities business from offices at 565 Fifth Avenue, New York City.

## Horton Properties Opens

BROOKLYN, N. Y. — Horton Properties Company is engaging in a securities business from offices at 16 Court Street. Partners are Jerome J. Hoffman and Ashley D. Hoffman.

## Form Karen Securities

Karen Securities Corp. has been formed with offices at 95 Broad Street, New York City to engage in a securities business.

## P. Kurland Enterprises

Patricia Kurland Enterprises, Inc. is engaging in a securities business from offices at 135 Front Street, New York City.

## Charles Manser Opens

Charles Manser, in partnership with Julius J. Janosek, Peter J. Prezioso and Frank Hughes, is engaging in a securities business from offices at 130-40 — 122nd Street, Queens, N. Y.

## Form Edw. H. Stern Co.

FLUSHING, N. Y.—Edward H. Stern & Co., Incorporated, is engaging in a securities business from offices at 135-26 Roosevelt Avenue (c/o Arthur A. Grossman).

# Our Biggest Economic Problem Is Flexible Resource Shift

By DR. ROBERT E. BALDWIN*
Associate Professor of Economics
University of California, Los Angeles, Calif.

**Brief autopsical statement by California economist on the definite changes in our balance of payments concludes that further import-restrictions and export-subsidization would be dangerous to our economy — as would a rise in the price of gold. The writer contends the problem we face is not whether we can achieve growth without inflation but the more fundamental one of ceasing protective measures freezing labor and capital in inefficient industries. He suggests letting market forces, aided by government adjustment measures, promote resource flexibility; looks forward to Europe's participation in sharing foreign aid burden; and visualizes return shortly to balance in our trade.**

The growing concern over the recent deterioration of the U. S. balance of payments demonstrates once again the importance of satisfactory international economic relations for the maintenance of domestic equilibrium. Although exports are equal to only about 5% of our national product, the $3 billion drop in exports in 1958 still represents a significant change for an economy whose government is pledged to sustain a high level of employment. When, as has been the case, this decline is not accompanied by any change in imports, the question arises as to whether disturbing long-run shifts in our trading position are occurring.


Robert E. Baldwin

The share drop in our export surplus during the last year seems to be based mainly on short-term economic changes abroad. Nevertheless, there are several factors in the balance of payments picture that do raise problems concerning our prospects for maintaining adequate growth over the long-run.

### Cyclical Shift Causes Problem

A basic shift in the U. S. trading pattern that has been taking place for many years is an increasing emphasis upon exports of manufacture commodities, especially capital goods, and a greater dependence upon the importation of certain raw materials. In 1928, for example, manufactures constituted 45.7% of our total merchandise exports. By 1936 this figure had increased to 55.0%, and in 1957 it was 61.4%. Moreover, by 1957 53.7% of these manufactures were machinery and vehicles. One consequence of this shift towards capital goods is that our export trade has become increasingly sensitive to the level of industrial activity in foreign countries. Fortunately, since World War II the tremendous demand for capital goods on the part of both underdeveloped and industrial countries has kept these exports steadily rising. Capital goods exports rose 44.5% between 1952 and 1957. However, the leveling off of industrial activity in Western Europe, recessions in Canada and Japan, and recent balance of payments pressures in several important underdeveloped countries caused these exports to decline $.5 billion between 1957 and 1958.

In addition to this cyclical problem, the United States has been facing increasing competition in the manufactured goods field from other industrial nations. Our share of the exports of manufactured goods by the major industrial nations (United States, United Kingdom, West Germany, France, Belgium-Luxembourg, Japan, Canada, Italy and Sweden) fell from 34.0% to 32.1% between 1952 and 1957 and our share of capital goods exports from 44.2% to 37.7%. After the war the lack of adequate facilities abroad enabled the United States to increase its share of the manufactured goods market from 22.0% in 1938 to 34.0% in 1952. But, as these countries have gradually expanded their industrial production under the protection of foreign exchange control, they have been able to compete more and more successfully with the United States. They have done so well that they have now been able to restore non-resident convertibility. The 140% increase in our imports of machinery and vehicles (70% if trucks and passenger cars are excluded) between 1952 and 1957 indicates their success in this field. Despite the drop in demand in this country because of the recession, imports of machinery and vehicles actually increased about $450 million between 1957 and 1958.

The growing dependence by this country on certain raw materials is reflected in the remarkable increase between 1952 and 1957 in our imports of oil, iron ore, and aluminum. These three items accounted for $1.2 billion of the total $2 billion increase in our imports between 1952 and 1957. Adding the $.8 billion increase in machinery and vehicles to this figure accounts for the entire $2 billion increase in our imports during this period. Moreover, were it not for quotas on a number of agricultural commodities and metals, our imports would have increased much more. The greater use of quotas to restrict excess demand coupled with our shift towards capital goods exports means that while our exports are becoming more sensitive to fluctuations in foreign demand, our imports are becoming less sensitive to cyclical fluctuations.

Although exports of raw materials and agricultural products also have increased in recent years, this rise can hardly be regarded as very encouraging from a long-run point of view. The $220 million increase in petroleum products exports in 1957, for example, reflected mainly the Suez crisis. But, more important, consider the $670 million increase in exports of agricultural products between 1954 and 1957. This increase was the result of a $1.1 billion increase in agricultural exports under government programs and a $.4 billion decrease in sales outside these government programs. The decline in non-government sponsored exports would have been even larger had it not been for poor harvests abroad in 1957. By 1957 about $2 billion of our agricultural exports were subsidized in one form or another.

Thus the United States now finds itself in a balance of payments situation that is entirely different from the easy days immediately after World War II. We are increasingly dependent upon exports of manufactured goods and yet subject to increasing competition in this field. This latter development is reflected both by our declining share of the international market and the rapid increase in our machinery and vehicle imports. At the same time our imports of such raw materials as oil, iron ore, and aluminum have grown at a remarkable rapid rate. We have maintained a sizable export surplus despite these shifts, but in reality this export surplus has been due in large part to temporary developments abroad, plus our programs of export subsidy and import control.

### Warns of Dangerous Step to Take

A great danger for the American economy is that we shall attempt to meet the balance of payments problems by further restriction than by the needed shift in resources. The recent imposition of oil quotas is a discouraging sign. Restriction of imports and subsidization of exports is not only inflationary, but more important it tends to restrict our economic growth.

The major economic policy problem we now face is not the question of whether we can achieve growth without inflation but the more fundamental one of whether we can maintain the flexibility in our resources that is required to achieve satisfactory growth. If we freeze more and more of our labor and capital in inefficient industries, we are prevented from shifting resources into new and expanding lines of production as rapidly as otherwise possible. Since we have no control over the actions of foreign competitors, the long-run cost of a restrictionist policy is a declining share of the world export market and a growing demand for imports.

### Government Should Aid Resource Flexibility

One answer to the problem, of course, is to allow the price system to operate more freely and thereby force resources out of inefficient industries. As we have become wealthier there has been a growing reluctance to allow the price mechanism to operate freely when the required adjustment will inflict severe hardships on a particular economic sector. We must begin to reverse this trend unless we are prepared to run the risks of general inefficiency. But in addition, the government should aid the resource adjustments required by changing technological and demand conditions by positive programs designed to promote resource flexibility. Instead of protecting every weak sector that appears, we should provide inducements to encourage labor and capital to move out of these fields.

As far as the sharp drop in exports last year and the associated gold outflow is concerned, this situation should improve within the next year or so as industrial activity continues to expand abroad. The recent removal of many of the foreign restrictions against the importation of U. S. goods should also act to increase our exports. The fact that no dramatic increase in our exports to these countries has occurred so far should not be taken to mean we shall not be able to penetrate their domestic markets. Competition in manufactured goods is based on much more than price. It will take time for U. S. manufactures to build up the sales and servicing staffs that are necessary for effective competition — just as it has taken several years for foreigners to penetrate the U. S. market for machinery and vehicles.

### Opposes Gold Price Rise

One factor that should be watched, however, in the gold outflow is the conversion of dollar balances into gold based upon the expectation that we shall increase the price of gold. Raising the price of gold at this time would be very unwise, and if this speculative outflow becomes significant, the Administration should make a firm statement that we have no intention of increasing the price of gold.

Although the rather heavy gold drain of the last year and a half should cease before long, one should not expect any significant reversal of the movement of gold. Western Europe, in particular, is now in a position to compete effectively with the United States. This strengthening of Western Europe is a development that we should welcome, since it means that the free world is more capable than ever of meeting the economic and military challenges of the Communist bloc. One consequence of this improvement, however, is that Europe should now increase its military contributions to the common defense of the free world. In addition they should take a more active role in aiding the underdeveloped, neutral nations to achieve their development goals. These actions will not only directly contribute to a strengthening of the military and economic position of the West, but they will act to relieve some of the pressure on the balance of payments position of the United States.

*A statement by Dr. Baldwin before the Joint Economic Committee, Washington, D. C., June 30, 1959.

## Knopf Asst. Milw. Mgr. For Cruttenden, Podesta

MILWAUKEE, Wis.—Robert F. Knopf has joined Cruttenden, Podesta & Co. as assistant manager of the company's Milwaukee office, First Wisconsin Nat'l Bank Bldg., it was announced by Ewald Klumb, Milwaukee manager. Mr. Knopf was a securities salesman with Loewi & Co., Inc., in Milwaukee before joining Cruttenden, Podesta.


Robert F. Knopf

## Named Director

Eugene M. Matalene, a partner of Hornblower & Weeks, New York investment banking firm, has been named a director of Sealright-Oswego Falls Corp., it was announced by Henry C. Estabrook, President. The company's board of directors was increased from 10 to 11 members providing for Mr. Matalene's election.

After joining Hornblower & Weeks in 1939, Mr. Matalene became a member of the firm's buying department and was elected a partner in 1954.

## M. D. Taylor, Dir. of Four Bullock Funds

General Maxwell Davenport Taylor has been elected to the boards of directors of four investment companies managed by Calvin Bullock, Ltd., it has been announced by Hugh Bullock, President.

Gen. M. D. Taylor

The companies are Bullock Fund, Ltd., Dividend Shares, Inc., and Nation-wide Securities Co. Inc., open end funds; and Carriers & General Corp., a closed end investment company.

General Taylor retired recently as Chief of Staff of the United States Army.

## Thrice-Blessed

Robert M. Topol, Partner in Greene and Company, New York City, is the proud father of a

Robert M. Topol

Irving A. Greene

daughter, Martha Elizabeth, born July 10. Mr. Topol's wife, Dee, is the daughter of Irving A. Greene, Senior Partner of the firm, who is also bursting with pride at grandchild No. 3. The Topol's other children are Clifford, 7 and Gail, 5.

## Francis I. du Pont To Admit A. Rousselot

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Aug. 1 will admit Anthony D. Rousselot to partnership in the firm. Mr. Rousselot will become a member of the Stock Exchange.



## *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The Government market, that is both the short- and long-term sectors, have a better tone, although the near-term and the intermediate term issues appear to have the most activity. It is evident that the 4¾s due May 15, 1964, which were part of the August refunding deal, are being well taken by pension funds, certain savings banks, some insurance companies and not a few individuals. It is also reported that a fairly large amount of funds are being taken from the equity market and are being reinvested in both of the refunding 4¾s. This is the first time in many a year that a Government obligation has carried as high a rate as these two securities have.

It is the opinion of some money market specialists that the Government market will tend to improve price-wise for a period of time, especially after the coming new money raising is out of the way. A real bull market, however, does not yet appear to be in the offing.

### Refunding Issues Well Received

The Treasury, through the use of a short-term and medium-term obligation, namely, the 4¾s due Aug. 15, 1960 and the 4¾s due May 15, 1964, has taken care of the August maturities. The issues which the Treasury used, were about on the market, since the 4¾% securities did not give anything away as far as yield was concerned. It had been believed in some quarters of the financial district that an issue with a maturity as long as 4¾ years would have a rate of 4⅞%. On the other hand, a short-term issue with a 4¾% rate also, according to the opinions that were being heard in the financial area, would not run more than a year. Instead, the Treasury decided to take advantage of improving money market conditions and put out a 12½-month obligation, which is being well received.

The short maturity part of the refunding package is intended mainly for the Central Reserve Banks and Government accounts, who are the largest owners of the August maturities. The exchange of the $8,305,000,000 that is held by these accounts will be made automatically for the 12½-month 4¾s. The problem of the Treasury was posed in the $5,668,000,000 of the August obligations that were held by the general public, including banks, corporations and other institutional investors. It is evident from reports that the Government has been able to attract many new buyers for the longer 4¾s, in addition to the old holders of the issues that were being refunded and who have turned in for the 4¾s due Aug. 15, 1964.

### High Yield Draws Investors

The yield of 4¾% (due 1964) for a Government obligation, the highest since 1929, not only enabled the Treasury to extend the maturity of the Government debt, but it also attracted not a few institutions who have been waiting for a high coupon Government obligation to come along. To be sure, this 4¾% note only runs for 4¾ years, but it is not callable before maturity and it has been available at practically no premium at all. Irrespective of what goes on in the money or capital markets, the bellwether of these two markets is the return that is available in Government obligations.

Even though the output of Government securities can increase with the passage of time, and this could be for refunding or new money raising purposes, and the supply of corporates might decrease somewhat while the flotation of tax-exempt issues would not show too much change from the current rate, the bond market will still be geared by the rate of return that is obtainable in Government bonds.

### Next Treasury Offering in August

The Government market appears to be getting into shape for the coming new money offering of the Treasury, which is expected the middle of next month and, according to estimates, will be in the neighborhood of $2,500,000,000. Again the opinions are that this new money raising operation will be taken care of through the use of short- or medium-term issues.

The transfer of funds from the medium and longer term Government obligations into the new 4¾s, largely the 4¾s due May 15, 1964, continue to be made in what is reported to be pretty fair volume. The 4¾% rate and the maturity which is available in these two new issues evidently make them very attractive for money which has come in no small measure from tax losses. This trend is expected to continue in the future.

## *Public Utility Securities*

By OWEN ELY

### American Telephone & Telegraph Company

American Tel. & Tel.—with over $20 billion invested in telephone plant—is probably the largest corporate enterprise in the world. Its tremendous size has probably been an inhibiting factor in the past, but this year the company broke with precedent, split its stock 3-for-1 and increased the famous $9 dividend by 10%. Under the aggressive management of President Frederick R. Kappel the company has also broken out of the rut of share earnings around the $4.35 level (adjusted to the new stock) which prevailed in 1955-57—last year consolidated earnings rose to $4.67, and for the 12 months ended May 31, 1959 to $4.94; for calendar 1959 $5.25 would seem a good objective.

The improved earnings showing appears due principally to three factors: (a) The rapid growth in population and number of phones; (b) a reduction in the number of employees in the past three years and a substantial increase in the output (number of calls handled) per employee; and (c) the reduced amount of equity financing, with less dilution of share earnings. During the five years 1950-55 Bell System employees (including Western Electric and Bell Telephone Laboratories) increased from 602,000 to over 745,000, a gain of nearly one-quarter—almost the same rate of gain as in 1945-50. At the end of 1958, however, the number had been reduced to 725,000. More interesting was the number of daily telephone conversations per employee: during 1954-50 this increased from 234 to 270, and in 1955 showed a small gain to 274; while in the three ensuing years the number gained sharply to 332. Obviously, automatic dialing and other methods of "automation" are finally paying off. The number of Bell telephones now dial-operated approximates 94% compared with 65% in 1945, and long distance dialing is now getting actively under way.

Bell's business has been growing more rapidly in recent months than at any time in the last several years. The gain in the number of telephones in the second quarter is expected to approach 800,000, and long distance conversations are running 10% over a year ago. The Bell System in recent years has become "sales conscious" after many years of being (by necessity) merely an "order taker." For example 128,000 coin telephones have now been installed outdoors, many of them on highways. More and more motels have telephones in every room. Retail stores are helping promote the "shop-by-telephone" idea. Last year telephone installers and maintenance men sold service features which added over $50 million annual revenue. The famous "yellow pages" have become a big source of income.

Progress in the modernization of service facilities is practically continuous. Transistorized amplifiers are being introduced to further improve transmission on trunk lines, and other new "solid state" devices to improve power plants. The first fully electronic telephone switching system will be introduced at Morris, Illinois next year—it is expected to greatly influence the whole course of communication.

Western Electric (almost 100% owned) with annual sales of $2.2 billion sells about 60% of its products to Bell companies, most of the balance to the Federal Government for national defense. Both Western Electric and Bell Laboratories are extremely active in the defense program, particularly missiles and warning systems. Bell Laboratories designs Nike missile systems while Western Electric makes guidance and control systems for Nike Hercules, designed to destroy whole fleets of planes. Work is also under way at the Laboratories on Nike Zeus which is designed to intercept and destroy ballistic missiles travelling at over 15,000 miles per hour. The famous DEW line of radar stations in the arctic is being extended as far as Iceland; it was intended to give warning of approaching bombers, but with missiles now entering the picture a new Ballistic Missile Early Warning System (BMEWS) is now under construction in the far north, to carry complex data at high speeds and with utmost reliability. The two Bell Companies have also been active in developing the SAGE air defense system — telephone lines to interconnect radars, computer centers and defense weapons. Bell Labs will probably test the use of satellites to relay radio communications between widely separated parts of the world.

The Bell System method of financing its huge construction program—an estimated $2.2 billion this year—is well known. Both subsidiaries and parent company issue debentures, but the parent does most of the equity financing for the entire system by three methods: (1) Continuing sale of stock to employees, (2) sale of convertible debentures to stockholders on a subscription basis, and (3) sale of common stock on a rights basis. With more cash now generated internally, and with the equity ratio raised to the desired level (about 65%), parent company sales of convertibles and common have slowed down somewhat. While the company is very chary of forecasts, Wall Street observers do not except any more such financing until next year.

Adjusted to the split basis, the stock earlier this year advanced to 89 (range this year 89-75, last year 76-56). At the recent price around 80 it yields 4.1% and sells at a little over 16 times earnings— ratios which compare somewhat favorably with those for the average electric utility stock. Formerly, Telephone was generally regarded as a safe and conservative "income stock;" now it has also acquired some growth characteristics which accounts for much of the substantial price advance over the past year or so.

## Airwork Corporation Common Stock Offered

Auchincloss, Parker & Redpath, New York City, is manager of an underwriting group which on July 17 offered 175,000 shares of Airwork Corporation common stock at a price of $4 per share.

Net proceeds from the sale of the common stock will be used by the company to repay bank loans of $300,000, which were incurred to finance increased inventory and receivables. The balance of the proceeds will be added to the company's working capital.

The corporation, with its headquarters and principal facilities in Millville, N. J., is engaged in the overhaul of aircraft engines, instruments and other accessories, and the sale of aircraft engines, instruments, electronic equipment, accessories, parts and supplies. The company's subsidiary, General Aircraft Supply Corp., sells aviation parts and supplies to operators of airports and private aircraft.

For the nine months ended April 30, 1959, the company and its above-mentioned subsidiary, had consolidated net sales of $6,729,939. In the fiscal year ended July 31, 1958, consolidated net sales were $8,723,799.

Upon completion of the sale of the common stock, outstanding capitalization of the company will consist of $553,367 of bank indebtedness; $10,433 of indebtedness of a subsidiary, and 699,965 shares of common stock.

### Joins Boettcher & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William H. Armstrong, Jr. has become associated with Boettcher & Co., 135 South La Salle Street. He was previously with City National Bank & Trust Co. of Chicago.

### Joins Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James P. Ellis has joined the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Norman C. Roberts & Company.

### With William R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jerome A. Lambert is now with William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. He was with Hemphill, Noyes & Co in the past.

# New Canadian Iron Producing Area Significantly Aided by Seaway

**Canadian Bank discusses tremendous promise of Ungava-Labrador area richly endowed with iron-ore and water power and now being rapidly built up and integrated into the economy**

Fifteen years ago Ungava-Labrador was a remote and largely unknown region. Today the frontier is being pushed back and the area is being drawn into the orbit of the economy, says the current *Monthly Review* of The Bank of Nova Scotia.

**Development on a Grand Scale**

Necessarily, development is on a grand scale. Only the promise of a large volume of output could justify the costs involved in bringing into production resources located in such remote and inhospitable country. In the past 10 years the development of the iron ore deposits at Knob Lake has led to the construction of a railway line from the shores of the St. Lawrence, 360 miles north and the building of a new town, Schefferville, in the interior.

This first opening up of the interior is now being followed by other large-scale developments again based on iron ore. In the Mt. Reed area work is currently under way to bring the Lac Jeannine deposit into production. In the Wabush Lake area activity has been stepped up. And Ungava-Labrador is rapidly becoming one of the major iron-producing areas of the world.

By the mid-1960s iron ore shipments from the projects now operating or reasonably certain to be developed could well exceed 30 million tons, the *Review* points out. Hundreds of millions of dollars will have been spent in bringing the mines into production. The impact of this heavy construction program, the building of more new towns, harbors, railways and power plants, cannot fail to be a further strong stimulus to the area.

Another rich endowment of Ungava-Labrador is its enormous water-power resources, still largely untapped. One of the biggest remaining undeveloped power sites in Canada is at Grand Falls on the Hamilton River. Surveys have indicated that 4 million horsepower could be developed there at a single site, while in almost any part of the interior new mining projects will find convenient locations for power plants.

The extremely large power resources of the rivers flowing into the St. Lawrence have already begun to be developed. The Bersimis project, closest to the established industrial centers of Quebec, was built primarily to contribute to the general power supply of the province. With completion of the second plant next year, its total developed capacity will be over two million horsepower.

The availability of surplus power on the Manicouagan River, and the location of Baie Comeau at tidewater were important factors in attracting the aluminum industry. The past year has seen the completion of a smelter with an initial capacity of 90,000 tons —to be doubled eventually.

**Seaway's Boost to the Region**

With the opening of the Seaway this year, the St. Lawrence River becomes an even more important transportation link for the North Shore and the mining projects in the interior. Indeed, the prospect of large-scale shipments of iron ore from Ungava-Labrador was one of the major considerations in the decision to build the Seaway.

In addition to the westward movement of iron ore through the Seaway, the prospective development of the North Shore as a trans-shipment point for grain moving overseas is exciting attention. A small beginning is the large grain elevator being built at Baie Comeau.

The prospect of a rapid growth in shipments from North Shore points, much of it in bulk commodities requiring extensive storage facilities, has led to a rising interest in year-round shipping. Winter shipping on the St. Lawrence below Quebec City is being tried on a limited scale. And despite the difficulties, it seems clear that as the volume of bulk commodities increases, measures necessary to lengthen the shipping season will be taken.

# Claybourne Treas. For Mass. Life Fund

BOSTON, Mass.—The Directors of Massachusetts Hospital Life Insurance Company, Trustee for the Massachusetts Life Fund, named Richard Claybourne, Treasurer, succeeding Paul T. Litchfield, who remains a Vice-President and Director.

Mr. Claybourne for the last three years has been an audit manager with Arthur Young & Company, independent public accountants, and prior to that was for 19 years with its predecessor firm in Boston, Stewart, Watts & Bollong. He is a member of the American Institute of Certified Public Accountants.

## Ohio Co. Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Robert D. Westfall has become connected with the Ohio Company, 51 North High Street.

# Four Ways of Investing Money

By ROGER W. BABSON

**Fifty-four years' study of the stock market convinces Mr. Babson that of the four ways of investing money, the best way is a triplex investment of common stocks as an inflation-hedge, bonds or cumulative preferred stock for income and cash to take advantage of market situation. He suggests investors consult both young and old men, and he credits those who sell when price is high, and buy when the price is low, for helping to level-out the amplitude of the business cycle.**

Before explaining these four programs, let me impress upon readers the importance of not mixing the programs. Each has its advantages and disadvantages. Hence, you should select one and stick to it. This advice is based on over 54 years of experience in the "school of hard knocks and hard work."

Roger W. Babson

(1) **Investing by the Cycle.** Program No. 1 calls for selling at a time like this and depositing the money received in a bank, waiting for the next big break which will some day surely come. Then you will again buy the most active good stocks and hold them until another bull market comes; then follow the same plan over again. This is the most profitable program for those with courage and patience.

(2) **The Long-Growth Common Stock Program.** No. 2 provides that investors pay no attention to stock market prices but purchase a little "long-growth" stock every few months as they have the money, keeping these stocks for a long time. This is satisfactory if the advisor makes sound selections. When, however, companies are young, it is difficult to know what they will be when they "grow up."

As an illustration, I am listing the names of some such stocks which were bought, in accordance with Program No. 2, by an intelligent Boston stockbroker for his children and grandchildren. **These stocks are now valueless.** Amalgamated Gold Dredging Co.; Black Diamond Anthracite Coal; Boston Mining & Exploration; California Fortune Oil; Deadwood Standard Gold Mining & Milling; Dorothy Gold Mining; Eastern Kentucky Oil; Goldfield Mutual Prospecting & Developing; Hidden Fortune Mining Co.; Invincible Gold Mining; Mount Glines Gold & Silver Mining Co.; Old Mexico Mining & Milling; Santa Ana Tin Mining and Spearfish Gold Mining & Reduction Co.

(3) **Buying Good Stocks and Cumulative Preferreds for Income Only.** With Program No. 3 you would not sell your stocks in a high market, but would wait for a lower market before buying others. This Program is very suitable for older people.

(4) **The Fourfold System.** Program No. 4 is the one I like best, combining profit, income and security. Such an investor today would have one-third of his money in good common stocks as an inflation hedge; one-third of his funds in bonds or good cumulative preferred stocks for income; and one-third in cash, waiting for a break in the market. Thus, whatever happens, he would be able to take advantage of any future market situation. Although I am not strong for Program No. 1, I feel that Program No. 2 is dangerous and that it is wrong to ignore the "ups and downs" of the stock market.

**Conclusion:** During the more than 54 years that I have been studying the stock market, I have seen it go through three wars, four panics, and five booms. Although I admire young men for their courage and initiative, I think that investors should always consult both young men and old men. The younger men think that we are continually entering "new eras" and that panics can never occur again. Then they are bearish too long when the country is in a depression.

Older men, however, know that ever since there have been any reliable records—wars, business, investments, and even nations have moved in cycles. Periods of prosperity have encouraged carelessness, dishonesty, and an unreasonable increase in government, corporation, and personal debt. This has finally resulted in a decline and depression. A depression tends to make people industrious and more anxious to pay up their debts. This results in a period of improvement and another era of prosperity.

Although those who follow Program No. 1 may be unable to pick out the exact high spot of a bull market and the low spot of a bear market, yet they are performing a very important social service. Those who sell when the market is abnormally high tend to make the prosperity area less dangerous; while those who buy during a depression help make that depression less terrible. In other words, those who are wise enough (and there are not too many of these) to successfully follow Program No. 1 tend to level out business, investment, and employment conditions to the benefit of all.

# State Bank Supervisors Annual Convention

WASHINGTON, D. C. — The annual convention of the National Association of Supervisors of State Banks will be held October 20-23 at the Diplomat Hotel, Hollywood-by-the-sea, Florida.

## K. J. Brown Branch

KOKOMO, Ind. — K. J. Brown & Co., Inc., has opened a branch office in the Union Bank & Trust Company Building under the management of W. Wayne Husband.

# The Outlook for Transportation In the Next Five Years

By SIDNEY B. LIFSCHULTZ*
Executive Head, Lifschultz Fast Freight

**Freight forwarder discusses the economics of the transportation industry and predicts increased prosperity for all forms of carriers ranging from 5 to 15% of volume in next five years. He terms piggybacking a dynamic and dramatic breakthrough; depicts the freight forwarder's key role; and calls for equal application of ICC regulations in criticizing the way some pool car operators and non-profit shipping groups operate**

Nowhere in business is team-work more important than in handling and distributing goods and material. Therefore, every member of the team must feel his responsibility and be willing to go far out of his way to fulfill his obligation.

Sidney B. Lifschultz

The cost of practically all goods and services have risen sharply since the end of World War II. But in transportation, regulation has played such a vital role that there are many who believe that only through governmental supervision can we control rates and properly protect shipper interests. They are for more control.

On the other hand, there are those who are for less regulation and more competitive freedom. They claim that the shipper will get a better break if transportation is less regulated.

### Criticizes Non-Profit Shipping Associations

On one thing everyone is agreed. If we must have regulations they should be applied equally. Freight forwarders in many parts of the country today are faced with a type of unregulated competition which we believe to be unfair to both shippers and ourselves. This involves so-called non-profit shipping associations and pool car operators.

Congress excluded shippers' associations from ICC regulation some time ago when co-op shippers were relatively few and confined mostly to companies in a single industry. The associations were formed by the shippers who hired a traffic manager to consolidate their ICL shipments and to buy carload transportation. As non-profit organizations, the co-ops were controlled by the shippers, and were organized solely to save money.

Soon another type appeared. It differed in only one way, in that it was organized by consignees, usually department stores located in the same city, who bought from common manufacturing centers.

Since then, however, a third type, organized and operated by a group, or an individual, has come on the scene. Physically, it moves shippers' freight in the same way that forwarders do. It rents facilities and buys transportation, but it is organized by outside persons, and shipper-customers have little or no voice in the operation. Shippers pay small dues and frequently a service charge.

It is on these points—the service charge and who controls these co-ops—that we freight forwarders object. The first two types of co-ops are clearly what Congress had in mind when it excluded shipper associations from ICC regulations, but the third type is "illegitimate." If the control of a cooperative is by someone other than the shipper-members, the association is really a freight forwarder and should be subject to ICC regulation and pay taxes like everyone else.

### Making a Business Out of It

After all, if a number of shippers, say 8 or 10, band together to ship at carload rates, they have achieved their purpose. What is the point of adding tens or even hundreds of members unless a co-op is being managed by independents who are making a business out of it with service charges. They are not soliciting memberships at all—they are soliciting freight—and this makes them forwarders.

Moreover, the shipping association or pool car operator cannot offer the same kind of personal service provided by the freight forwarder. Nor does he have the same financial or legal obligation toward the shipper. Under ICC regulations freight forwarders must carry insurance, file tariffs which can cost a medium size company $40,000 per year and meet certain other safety and financial standards established by the government to protect shipper interests. The non-regulated, non-supervised co-op is free of such responsibilities and may not afford its shipper-members any or sufficient protection of this type.

There are probably a half-dozen cases in which this question of the status of a shipper association is pending. The ICC has previously gone to court and taken the position that a true shipper association should be formed, owned, and operated by a group of shippers, with the member-shippers exercising full control over the operations.

Once the Commission starts probing, an organization usually closes down if there is a good chance the ICC can force it under regulation.

### Looks for Corrective Legislation

I believe that in the next five years we will have legislation that will correct the situation, or we will get a court decision that will lay down firm lines that the ICC can get their teeth into.

The problem of regulation is a most difficult one. While striving to do the best possible job for the shipper and for the ultimate user and consumer, any responsible person in transportation must recognize the enormous complexities and far-reaching repercussions of regulation and preserving competition.

The point I'm trying to make, therefore, is that all of us in transportation must take note of the overall picture before individually or collectively crying out for more regulation of one group and less of another.

This is **not** to suggest that those who are primarily concerned with getting the best possible distribution of their company's goods at the lowest possible cost should not delve into every available avenue in pursuit of their goal. But as members of the transportation industry and as responsible individuals in a growing profession, they owe it to themselves to look beyond bargain rates which may temporarily effect lower costs. On the other hand, they must be equally alert and vigorous in their individual and organized efforts to bring the full weight of their positions to bear in support of modern, progressive, economical developments which could bring great savings and efficiencies in distribution of goods and material.

We have accomplished this by developing a flexible system of transportation whereby all available means can be coordinated to provide us with the fastest, least expensive and most efficient service. This is the principle of freight forwarding.

### Freight Forwarder's Role

Today, we in the freight forwarding field are sometimes deferred to as the "third force" in domestic transportation. We have traditionally been the coordinators between rail and trucks operating with flexibility which makes it possible to provide the lower rate and fastest delivery time.

We take advantage of the extremely high efficiency of the railroads for the benefit of small shipments moving considerable distances, and at the same time we provide the complete pick-up and delivery service that is essential for the handling of this type of freight by utilizing trucks.

In this way we use a coordinated truck-rail service that provides maximum speed and reliability in relation to tariff savings. In a sense, what is developing in transportation today is an extension of the principle established many years ago by the freight forwarding industry.

The railroads today are looking for the less-than-carload traffic which they lost in recent years to the trucks. At the same time the truckers are no longer content with small lot shipments on short to intermediate hauls They are bidding either for large lot shipments on short hauls, small lot shipments on long hauls, or both.

Motor carriers are interchanging each other's vans now just as the rails have been doing for some time with freight cars. All in all, the area of overlap between the services is increasing and there is a great need for enlightened coordination to provide greater efficiency throughout the transportation system and better service at lower cost to shippers.

Some of the top leaders in the various carrier groups are even publicly acclaiming this need for greater cooperation and coordination.

### Improved Rail-Truck Competition

In the next five years I believe our industry will make notable strides in the direction of greater coordination and cooperation between the services. In my opinion the keen competition that we have seen between rails and trucks and other forms of transportation will give way to a new, and in a sense, improved competion from the shipper's standpoint. This new competitive force, which I believe will be well under way in the next five years, will pit combinations of the various forms of transportation against one another. A rail-truck coordinated combination, for example, will be pitted against a similar combination, and rails will be vying with other railroads for truck business and vice versa.

Without interfering with basic competitive conditions, truckers and railroads can get together and coordinate for the benefit of the shipper and themselves. The result will undoubtedly offer significant economies and greater volume for both. If they can do a better job together, the outlook for the next five years is a lot brighter.

I believe this is extremely important in view of the major economic trend of our times — the steadily increasing pressure on earnings arising from higher costs and tougher competition on selling prices.

In every phase of every business today, this pressure on costs is getting tougher. Automation, better materials handling, better production scheduling, better scrap recovery, new materials, better assembly methods, are helping relieve this pressure in some phases of most business and industries.

In the five years ahead the transportation industry must make effective progress toward better cost control. We simply do not have any choice. Our hope lies in improved containerization and greater coordination among the modes of transport.

In this development I believe the freight forwarder will occupy a key role. We will bid more intensively than heretofore for traffic in volume quantities acquiring, for this purpose, not only trailer vans, but railroad flat cars in our own right.

Naturally, our progress in this direction depends to a considerable extent on the ICC. But I believe this direction is unmistakably in the best interest of the shipping public and will be recognized as such. This development, if it follows the pattern I am suggesting, will lead towards a new principle where a forwarder or private shipper controlling trailer vans or flat cars simply "hitches on" at a special rate provided for that purpose.

Two factors are essential in transportation under modern conditions—more speed and less cost. Both of these factors require that we look beyond the mere movement from origin terminal to destination terminal. Handling, rehandling, switching, classification, checking, recording and administrative supervision all contribute to delay and cost, as well as loss and damage. These can be reduced through containerization and coordination.

### Piggyback Growth

Right now we are undergoing a period of trail and experimentation in this field, both technical and operational. No common denominator has yet been found either as to the type of facility or the best method of operation. Nevertheless, in 1958, 276,767 flat cars were used in piggyback service by American railroads and some 420,000 trailers were carried on these flat cars. This year the piggyback flat car fleet will probably increase by 65%. Piggybacking, including fishyback and other forms, is the key to our advancement in the next five years. It is the backbone of the improved containerization and coordination that we need so badly in the transportation industry.

It is my belief that if piggybacking is put into effect and properly supported by the government and industry the next five years in transportation will bring:

(1) Speed-up in rail freight schedules.

(2) A greater volume of business to all forms of carriers than ever before, with the increase approximately 5 to 15%.

(3) Substantial savings to shippers due to decreased handling costs—these savings have already been responsible for reduced rates.

(4) A marked speed-up of deliveries of goods from all parts of the world and a reduction in their transportation costs.

(5) A sharp decrease in the use of costly warehouse facilities and inventory stockpiling.

(6) A formidable reduction in loss and damage claims.

(7) A railroad siding literally available to every small company with a truck loading dock.

(8) Combined freight and passenger car operations to solve deficits and compensate rails for carrying commuters and long distance travelers.

(9) More mergers of trucking companies, trucking companies and freight forwarders, railroad and motor carriers.

(10) Rails will be carrying more of the type freight trucks now transport.

(11) Freight forwarders will take on more characteristics of motor carriers.

(12) Motor carriers will take on many characteristics of freight forwarders.

Piggybacking is a dramatic and dynamic "breakthrough" for the transportation industry offering thousands of small and big shippers faster and lower-cost service. It offers the only hope against rising costs for transportation and distribution of goods. As such, it should have the unqualified support of traffic managers, purchasing agents and all businessmen.

The next five years in transportation will put piggybacking to the supreme test. Unless it is hampered by regulation I am confident that it will meet the test. This concept of piggybacking involving uniform containerization and coordination of carrying units will propel the freight transportation business into the atomic age and provide it with a sputnik-type philosophy and technique which will even keep it abreast with the fantastic outer space era into which we are about to enter.

*From an address by Mr. Lifschultz before the Traffic Association of New Haven County, New Haven, Conn.

# $50 Million Issue of Tennessee Gas Bonds Offered to Investors

A nationwide underwriting group of 107 investment firms headed jointly by Stone & Webster Securities Corporation, White, Weld & Co. and Halsey, Stuart & Co. Inc. on July 21 offered an issue of $50,000,000 Tennessee Gas Transmission Company first mortgage pipe line bonds, 5¼% series due 1979. The bonds are priced at 101.25% and accrued interest to yield about 5.15% to maturity.

A sinking fund provides for the retirement of 91% of the issue prior to maturity. Sinking fund retirement prices are calculated to protect the basic yield to maturity. Optional redemption prices scale from 106.50% to the principal amount.

Of the proceeds from the sale approximately $24,000,000 will be applied on the payment of outstanding short-term notes issued for the company's expansion program and the balance applied to that program.

The company's capitalization at April 30, 1959 and adjusted to give effect to the sale of the new bonds and redemption on June 1, 1959 of the 5% convertible second preferred stock consisted of: $714,379,000 of funded debt; 1,646,802 shares of preferred stock of $100 par value; and 22,602,119 shares of common stock of $5 par.

The company's multiple-line natural gas transmission system extends from the gas producing areas of Texas and Louisiana into the northeastern section of the United States. The company sells or delivers gas to distributing companies for resale under long-term contracts, its principal customers being the companies comprising The Columbia Gas System, Inc., and Consolidated Natural Gas Company. In the 12 months ended May 31, 1959 the company sold and transported for others a total of 708,267,000 MCF. of natural gas.

Directly or through subsidiaries the company owns and operates oil and gas producing properties in the United States, Canada and Ecuador and holds interests in oil producing concessions in Argentina and Venezuela.

Consolidated operating revenues of the company amounted to $411,590,000 for the 12 months ended April 30, 1959. Gross income before interest and other deductions was $67,125,000.

# San Francisco Banker Comments on European Economic Progress

**Head of Crocker-Anglo National Bank offers his reactions to European economic events based on recently completed two-month tour there. He comments on production, trade, banking and other developments, and reports how closely Europeans watch the course of, and our efforts to combat, inflation here.**

Paul E. Hoover, President of the Crocker-Anglo National Bank, has returned from a two-month European tour, during which he attended the Monetary Conference of the American Bankers Association in London and visited correspondents and customers of the bank in nine countries. He was accompanied by Mrs. Hoover and by Albertus Taapken, Vice-President in charge of Crocker-Anglo's International Banking Department. In the course of the trip the party visited England, Holland, Denmark, Sweden, Norway, Germany, Switzerland, Italy and France.


Paul E. Hoover

Mr. Hoover found great optimism in most countries visited and confidence among businessmen in the continued favorable development of industry and trade. In the short period since its establishment, the European Common Market has developed beyond expectations and attracted great interest from American investors, whose investments in Europe have grown rapidly. For example, in recent years in Geneva alone approximately 100 American business concerns have established affiliated companies. Furthermore, other European countries, particularly European Common Market countries, have received a substantial share of U. S. investments. After the devaluation of the French franc last December, the confidence in the currency has been restored and has favorably affected the national economy. The foreign exchange position of Europe as a whole is strong, as indicated by the fact that its gold and dollar reserves have almost doubled during the past six years and that foreign exchange restrictions have been progressively relaxed.

The success of the European Common Market has been demonstrated by the plan of other European countries to establish a second European trade area, which would include the following seven countries: Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. The ultimate aim of the negotiations is to bring together all of the 17 member countries of the Organization for European Economic Cooperation into one large Europe-wide free trade area and not to form a new trade group to counter the European Common Market. The plan of the seven countries has received a green light from the Common Market nations.

**Notes Rising Living Standard**

The strengthening of the European economy generally is seen in its rising standard of living. Hard work has contributed greatly to this improvement and is visible nearly everywhere. While the standard of living, by and large, is still behind America's, the beginnings of a mass production and consumption economy, the keystone of U. S. prosperity, can be seen in the more advanced countries, and though its scale is not comparable to America's, its tempo is increasing. Ample stocks of merchandise are on hand everywhere. However, because of the demand for European automobiles abroad, prospective purchasers usually have to face a long wait. It is interesting to note, said Mr. Hoover, that European banks, including British institutions, are beginning to make consumer loans, and this trend will undoubtedly aid in the creation of a mass market in Western Europe. Home ownership, on the other hand, is not widespread, most European wage-earners being renters. Many housing projects and apartment houses, some of them community apartments, have been completed in recent years or are under construction and these are very modern in design. Large business enterprises often provide homes for rental to their workers, particularly in Germany and France. The use of checking accounts is increasing in Europe, and in England it is expected that before long the law will be changed to permit the payment of wages by check or credit to employees' bank accounts instead of in the traditional cash. European banks are fully aware of recent developments in banking techniques and there is a trend toward the use of electronic equipment. Advanced training programs, too, are common and banks do not lag in promotion by advertising although they do not generally solicit business directly. However, some European banks are active in developing relationships with American business firms that contemplate the establishment of European branches or affiliates.

**They Watch Our Inflation Battle**

Inflation is relatively well controlled in Europe and many European bankers and businessman watch closely the course of inflation in America and the steps taken to combat it. Leading European bankers take a serious view of long-term inflationary trends in the United States and believe stern measures are necessary. American business news is followed with keen and intelligent interest and most European businessmen are remarkably well informed on current issues, such as wages in the U. S. steel industry.

The trend of gold away from the United States, Mr. Hoover said, is partly a result of new American investments abroad and while Europeans consider the movement favorable for the world outlook in some respects they are nevertheless watching developments closely.

U. S. leadership of the free world is widely acknowledged throughout Western Europe and there is general recognition and appreciation of the accomplishments of Marshall Plan aid, not only in business and intellectual quarters but by the general population. There is no expectation of war, although there is consciousness of the power of the Communist bloc. While the party was in Geneva the Foreign Ministers Conference was in progress and the hotels were crowded with over 1,500 newspaper reporters from all parts of the world.

Europeans express great respect for the late John Foster Dulles and are impressed with the skill with which Secretary Herter conducted the negotiations at Geneva, Mr. Hoover said.

# *Securities Salesman's Corner*

By JOHN DUTTON

## "New Issue" Selling Is Facilitated Through Good Planning

There is considerable difference between the sales techniques and procedures that are required in distributing attractive "new issues" at the retail level and other phases of the "order function" performed by securities salesmen and account representatives. There is the time element, for example, which is not a factor when offering securities in the secondary markets or when trading on the exchanges. If an issue is very attractive, the available supply may not allow for delay, deliberation, and prolonged consideration on the part of the client. This is particularly true in respect to the offering of much sought after bond issues, where the maturity range in the case of serial issues is quickly sold out to eager buyers in a few hours.

Regarding stocks, particularly where the pre-offering indications are such as to indicate an over-subscription, there comes the problem of allotment. What clients should receive more favorable treatment, which orders should be limited or in some cases turned down, and whether or not increased participations should be obtained through purchases in the secondary market, are some of the involved questions that each salesman must plan and work out in advance of the offering. This cannot be done on the morning that a "new issue" hits the market. You must prepare in advance and know where you are going to solicit your orders—otherwise you will be left at the post.

**Where Planning Helped**

As an illustration of the importance of knowing both your customer's needs as well as "what is coming" in the way of new issues, several weeks ago a retail client advised me that he would like to invest $25,000 in some attractive tax-exempt securities. He stated that he did not wish to buy any bonds that matured later than 1967 and he wanted to obtain about 3½% return on bonds that were of good quality. They did not have to be AAA; just good bonds that he could feel confident would be paid at maturity. I thanked him for the order and told him that I would look around for something I could recommend. He said that would be satisfactory and we left the matter rest there.

About a week later I learned of an attractive issue which my firm was going to bid on, and I telephoned him and gave him a preliminary idea of what I had in mind. If we were the successful account, I promised to telephone him and submit the reoffering scale as promptly as I could do it. Then he said to me, "That's fine, but I am going to be out of town next Tuesday and you can't reach me. I'll be up at my ranch. If you want me you'll have to call me there in the evening as I will be away from a telephone."

I then mentioned to him that if this issue was as attractively priced as I hoped it would be when it was reoffered that if I waited until evening, and the issue went for sale at 11 o'clock in the morning, it was very likely that there wouldn't be any bonds left in the 1966 or 1967 maturities. I then suggested that he give me a tentative order for 25 bonds to be confirmed to him automatically if we made the successful bid and I could reoffer the 1966 or 1967 maturities to yield 3½% or better. Then to my surprise he said, "That sounds alright but I've also told my friend Bill Smith over at Blank and Co. to also be on the lookout for some bonds for me and if I give you this subject order, I guess I had better tell him that I believe I have filled my requirements."

All the while, I thought I was top dog with this valued client and here, unbeknown to me, he had also been talking bonds with one of my good friends and toughest competitors.

I knew then that I had better quit fooling around if I wanted to keep this customer and find him bonds that would suit his needs. So I told him, "Sure I know Bill very well and we are good friends. I am sure that he is conscientiously looking for the right bonds for you just as I am, but I sincerely believe that in this case we are going to stretch every point to buy this issue as favorably as possible and reoffer the bonds on a basis that will be very appealing, not only to individual investors but to the institutions and insurance companies as well. This is the bond I have been waiting for and I'll put you at the top of our list for the 1966's and '67s. If you get them, well and good, if not, then I guess Bill and I will have to go back to work and try to find you something else. How does that sound to you?" He said he thought that would be alright and I could take his indication for 25 bonds subject to yield limitations we discussed.

The day of the offering came. Our group won the bonds by a whisker, and we reoffered the 1966's and 1967's on a yield basis that was substantially above my customer's limit of 3½% and the sale was made.

The foregoing also illustrates that you cannot take for granted that you always have the inside track with any account. From now on I had better be on my toes, keep service up to par with this account, and watch out for Bill Smith. He's with a good firm, too, and he is not exactly asleep at his desk these hot summer days.

## A. J. Feuer to Join Gartman, Rose Firm

Abram J. Feuer on Aug. 1 will become a partner in Gartman, Rose & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, and the firm name will be changed to Gartman, Rose & Feuer. Mr. Feuer is a partner in Spiegelberg, Feuer & Co., which will be dissolved as of July 31.

## C. G. O'Callaghan Formed

YONKERS, N. Y.—C. G. O'Callaghan and Co., Inc. has been formed with offices at 833 Tuckahoe Road to engage in a securities business. Officers are Catherine G. O'Callaghan, President; Patrick F. O'Callaghan, Treasurer; and James P. Rice, Secretary.

## Joins Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif.—Thomas F. Hippenmeyer is with Schwabacher & Co., 930 State Street.

### Pershing & Co. Will Admit F. F. Staniford

Foye F. Staniford, Jr., member of the New York Stock Exchange, on Aug. 1 will become a partner in Pershing & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

### Two With House Johannes

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — John D. Miranda and Lee R. Thompson have joined the staff of House-Johannes, Inc., 1126 Oakwood Avenue.







# Mutual Funds

By ROBERT R. RICH

## How Much Should the Shareowner Know?

From time to time there passed across this desk a quarterly report or other communication that indicates that the fund involved is attempting to break new ground in the way of telling its shareowners just what it is doing. It may tell not only what security changes have been made in the fund's portfolio but why they have been made. It may give a brief description of several of the major companies represented in the portfolio. It goes a step further than a mere suggestion that the economy looks sound.

One such example, and it is only one example, is the nine-month report recently released by **Energy Fund, Inc.** To the average investor, "energy" obviously takes in a great deal of territory. But this fund in its 16-page report gets down to specifics. It breaks down its area of general interest into such categories as missiles and space, oil, electronics, nuclear power, natural and LP gas, coal and electric power. Then it goes further, reprints comments by authorities in each field, lists the stocks it holds in each group, describes what several of them are and where they appear to be headed.

While it is true that a good many funds do much the same thing, it is equally true that there are many others which do not give their shareowners the benefit of knowing why portfolio changes occurred.

Frequently fund officials do unburden themselves in the semi-public letters to distributors. To paraphrase one such letter: "On the face of it, this little manufacturer may not seem very attractive, but we have investigated it at length, find the management very aggressive, like the looks of its balance sheet. We feel that it has a key position in what appears to be a promising growth industry . . ." And so on.

It should be apparent that such straight talk would command shareowner loyalty. It speaks well for the alertness of the fund and dispels some of the fog that generally surrounds the business of portfolio management.

The mutual fund industry is a young and dynamic industry. It has nothing to hide. It should tell its story—not only in the prospectus but also to the investors it has already brought into the fold.

## The Mutual Funds Report

**General Investors Trust**, Boston-based income fund, has increased its net assets 107% over the level of a year ago and 37.8% over the figure at the start of 1959. At last June 30, the fund's assets stood at $8,590,387, compared to $6,233,033 on Dec. 31, 1958 and $4,152,452 on June 30, 1958.

On a per share basis, adjusted for a 36 cents capital gains distribution, assets gained 18.7% over the 12-month period and 3.2% over the six-month span. Actual figures, unadjusted, were $7.39 per share at the middle of 1959, $6.53 a year ago and $7.51 at the turn of the year. Income dividends amounting to 14 cents per share have been paid out during the past six months. Total shares outstanding grew by 82.9% in the 12 months to an all-time high of 1,162,772.

Sales of shares during the first half ran 17.7% higher than those for the entire year of 1958. The ratio of redemptions to sales during the period just ended dropped to a new low of less than 5%, compared with 6.3% and 7.6% in the first and second halves of last year.

* * *

Total net assets of **Pioneer Fund Inc.** hit a record high of $36,600,-185 on June 30, topping the previous peak of $30,385,858 set at the close of calendar year 1958, Philip L. Carret, President, has announced. Per share net asset value increased by 9.19% over the six months, from $8.16 to $8.91. Figures are adjusted to reflect the 100% stock dividend distributed July 1, 1959.

Common stock additions since Dec. 31, 1958, were: American Home Assurance, Bemis Bros. Bag, Blyvooruitzicht Gold Mining Co. Ltd. (A.D.R.), Brazilian Traction Light & Power Co. Ltd., Fidelity & Deposit Co. of Maryland, United Artists and Western Precipitation. Other additions: Bausch & Lomb Optical, 4½% convertible debentures of 1979; Fairbanks, Morse, 5¾% convertible subordinated debentures of 1977; Scranton-Spring Brook Water Service, 5⅛% sinking fund debentures of 1984; Smith-Corona Marchant, 5¼% convertible subordinated debentures of 1979, and Rohr Aircraft, 5¼% convertible subordinated debentures of 1977.

Eliminated over the same period: Barden Corp., Roxbury Carpet, United States Envelope, United Artists, 6% convertible subordinated debentures of 1969; the bulk of the fund's holdings of International Railways of Central America, 5% cumulative preferred, and General Precision Equipment, $1.60 cumulative preferred.

* * *

Directors of **Institutional Foundation Fund** have declared a dividend of 10 cents a share from investment income and a distribution of 12 cents a share from realized securities profits, both payable Sept. 1, 1959, to shareholders of record Aug. 3, 1959. During the past 12 months the fund has declared 40 cents per share in dividends and 48 cents per share in distributions from securities profits.

* * *

Economist Andrew P. Ferretti, writing in **Keystone Custodian Funds'** Economic, Business and Financial Outlook, predicts record highs in industrial production, corporate profits and dividends, and personal income. "Optimism continues," says Mr. Ferretti, "because all signs point to a continuation of the upward phase of a normal business cycle that started from a low point in the first quarter of 1958. It should continue into 1960."

The best Christmas season on record is in prospect for retailers, adds Mr. Ferretti, because personal income is expected to show an after-tax gain of some $25 billion, giving Americans about $8 billion more discretionary income than they had last year. Points out the economist: "The consumer durable goods industries will be the principal beneficiaries of increased spending, with consumer outlays in this general area up 20%."

* * *

**Aviation - Electronics - Electrical Equipment Shares of Group Securities, Inc.** boosted its asset value per share by 40%, from $7.95 to $11.28, in year ended June 30, 1959. Over the same period, total assets increased 63%, from $6.4 million to $10.4 million. The number of shares outstanding gained from 805,583 to 918,516.

Five largest holdings of the fund at mid-year were: North American Aviation, 5.03%; Martin Co., 4.79%; Sperry Rand, 3.95%; General Electric, 3.87%, and Radio Corp. of America, 3.62%.

* * *

**Pennsylvania Funds Corp.**, mutual fund retailing organization of Philadelphia, has reported a record sales volume of $13,561,000 during the first half of 1959. This represents a 93.8% rise from the $6,996,000 registered in the same period last year. June sales, amounting to $2,766,000, declined from the monthly high of $3,078,-000 set in May, but were 147% above the $1,122,000 total of June a year ago.

* * *

An all-time peak in assets was registered by **Chemical Fund, Inc.** in the period ended last June 30. Total assets rose to $247,774,512, or $11.52 per share, from $153,-886,575, or $8.22 per share, a year ago. When adjusted for a 29 cents per share capital gains payout last December, the fund's per share asset value shows a 43.7% hike over the figure of June 30, 1958.

"The chemical industry," wrote F. Eberstadt, Chairman, and Francis S. Williams, President, in their report, "has characteristics which tend to resist the adverse influences of an inflationary economy. Improvements to manufacturing processes have enabled the chemical industry to offset inflationary increases in wage and other costs and to hold the line on price to a greater extent than most other industries. . . . Research directed toward the development of new and more efficient processes is creating opportunities for further cost reductions . . ."

Over the past year, Chemical Fund built up its chemical-general group from 26.8% to 31.7% of portfolio. The drug group, second in size, declined from 25.4% to 21.8%. Oil and gas, 10.3% this year and last, is the third largest group. Purchases during the latest quarter included United Carbon Crown Zellerbach and Smith-Douglass. Eliminated was Pittsburgh Plate Glass. Biggest holdings, at June 30 market value, were: Smith, Kline & French, $10,395,000; Union Carbide, $9,-427,950; Eastman Kodak, $8,931,-000; E. I. du Pont de Nemours, $8,449,000; Corning Glass Works, $8,415,000, and Merck & Co., $8,-003,750.

* * *

**The One William Street Fund, Inc.** has acquired substantially all of the assets of the **Virginia and Delaware Corp., Inc.** One William Street exchanged 73,173 shares of its stock for Virginia and Delaware's $1,037,000 assets. Dorsey Richardson, President of One William Street, has stated that officials of his fund have been discussing similar acquisitions with representatives of other personal holding companies.

* * *

Two new directors have been elected to the board of **Washington Mutual Investors Fund.** They are Charles T. Akre, a partner in the law firm of Miller & Chevalier, Washington, D. C., and Dr. Nathan A. Baily, Dean of the School of Business Administration, the American University. James M. Johnston is Chairman of the Board and President of the fund.

* * *

Total net assets of the **Dominick Fund, Inc.** hit a record high on June 30, 1959, A. Varick Stout, President of the fund, has reported. The assets figure was $38,117,000, equal to $22.97 per share on the 1,659,640 shares outstanding. This compares to total net assets of $23,401,000, equal to $21.66 per share on the 1,080,000 shares outstanding as of June 30, 1958.

In the quarter just ended, holdings were increased in General Motors, Johns-Manville, American Cyanamid, General Tire and Rubber, Thiokol Chemical, Continental Can, CIT Financial, Lincoln National Life Insurance, Aluminium Limited, Unilever N. V. (A.D.R.), Kern County Land and Western Union. Decreases were in U. S. Gypsum, Coca-Cola, Amerada Petroleum, Royal Dutch Petroleum, Standard Oil of New Jersey, Washington Water Power, Jones & Laughlin Steel, American Telephone & Telegraph and International Business Machines.

Despite the disposal of some holdings in IBM, this issue continued to be the single largest stock in the fund's portfolio, with a June 30, 1959, market value of $4,032,000 or 10.5% of net assets. Other sizable holdings; Louisiana Land and Exploration, $2,561,500; U. S. Steel, $1,840,750; American Telephone and Telegraph, $960,-000, and General Electric, $880,-000.

* * *

**The Broad Street Group of Mutual Funds** has announced that the number of shareholders using accumulation plans has grown by 59% to 20,669 persons during the past year. Broad Street Group requires a minimum investment of $250 to start a plan, a minimum $25 for each subsequent investment. Currently 37% of the group's shareholders are using the plans.

### Gersten Opens Branch

LOS ANGELES, Calif.—H. Gersten & Co. of Honolulu has opened a branch office at 639 South Spring Street under the direction of Harold Gersten.

### Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles P. H. Magee has been added to the staff of Bache & Co., 140 South Dearborn Street.

# Time for U.S.A. To Husband Its Financial Strength

By PAUL EINZIG

**The United States no longer needs to support Western Europe financially and should, instead, concentrate on husbanding its own financial strength—for the sake of the Free World's defense. To this Dr. Einzig explains why the dollar must not come under suspicion. He advises stopping financial aid and foreign investment beyond the immediate resources available for that purpose so as not to add to the gold outflow on that score. The London writer notes France's apparent ability to repeat the 1871 and 1926 remarkable recoveries, Western Germany's recuperation far beyond that predicted after the war, and the recovery in general of Western Europe.**

*LONDON, Eng.*—The Economic Commission for Europe in Geneva paints in its latest bulletin an optimistic picture about the economic situation and prospects of Western Europe. A recovery from the recession of the last two years seems to be well on its way in most countries. There is now a higher rate of expansion in Britain and in Western Germany, and the Economic Commission expects this to react favorably on the economic situation of the smaller Western European countries.

Paul Einzig

News from France is also distinctly more favorable. It is reported from all sides that since the advent of General de Gaulle the French economy has greatly benefited by political stability. France is no longer the "sick man of Europe." Production is increasing, the balance of payments has improved, the gold reserve has increased. There are still weak spots in France's economic situation, but on the whole the picture is distinctly one of improvement and stability.

**Economic Miracle in France and Germany**

It is possible that we may witness a French "economic miracle" comparable with the Western German "economic miracle" staged in the early 'fifties. Today Germany has resumed her place among the leading countries, not because of the 12 divisions which she is going to contribute to the armed forces of NATO, but because she has succeeded in combining economic stability with economic expansion. It is the size of the Western German gold reserve and not the size of the Western German armed forces that has secured power and prestige for that country far beyond anything that could reasonably be anticipated after its defeat in 1945.

The emergence of an economically and financially powerful France within the next year or two is well in the cards. The economic recuperative power of the French people surprised the world on more than one occasion. When in 1871 victorious Germany imposed on France a huge war indemnity it was expected to cripple France for generations. In fact, France paid off the indemnity in an amazingly short time. Again when in 1926 France was on the verge of economic chaos and collapse, political stability under Poincaré's Government lead to a complete recovery in two years, enabling France to accumulate a large gold and foreign exchange reserve which completely changed the international balance of power.

It would not be surprising if there occurred a repetition of history. As soon as recovery and stability in France is able to inspire confidence among French people there is bound to be a wholesale repatriation of French funds from the United States and other countries, and a wholesale de-hoarding of gold. As during the years that followed Poincaré's measures, France will accumulate a very strong gold reserve and its influence in the international economic and political sphere will increase accordingly.

The recovery of Europe, if it is accompanied by a continued expansion in the United States, is bound to reverse the unfavorable trend that has been in operation in the raw material producing countries during the past two years. Between them the Western European countries represent a very considerable purchasing power that can have a decisive effect on the economies of underdeveloped countries. We have grown used to regard American demand for raw materials as the decisive factor in world economy, because it represents the demand by a single country. But if we regard Western Europe as an economic unit its combined demand is fully comparable with that of the United States.

It has also become a habit to regard Western Europe as being in need of American economic assistance. Beyond doubt in the absence of Marshall Aid Europe would not have had its chance to recover to anything like the extent to which it has recovered. But that is now past history. Western Europe is now quite capable of standing on its own feet; more than that, she is in a position to join forces with the United States in assisting economically weaker countries of the Free World.

**Europe Can Pay for Arms**

Europe is still in need of American military aid, but most Western European countries are now in a position to pay for the arms delivered by the United States. What is gratifying is that it is no longer in need for dollars that provides the main link between Western Europe and the United States. NATO has become an alliance between independent nations quite capable of supporting themselves, economically, even if they need the support of American military power.

The United States are thus relieved of the necessity of supporting Western Europe financially for the sake of the defense of the Free World. It is indeed time for the United States to concentrate on the husbanding of their own financial strength. During the next two years the dollar is liable to come under pressure. The greatest service the United States could render to the Free World would be the reinforcement of the defenses of the dollar. It is of the utmost importance from the point of view of the prestige and power of the United States that the dollar should not come under suspicion. Even though the United States are likely to lose more gold between now and the Presidential election next year, such inevitable losses should not be aggravated by an untimely generosity in respect of foreign financial aid or by foreign investment beyond the immediate resources available for that purpose without adding to the gold outflow.

**Saving U. S. A.'s Strength**

From the point of view of the countries which stand to benefit by American financial aid and by the export of American capital the maintenance of the strength of the dollar is of paramount importance. A temporary decline of dollar aid would be for them a smaller evil than a weakening of confidence in the dollar. Now that Europe is becoming stronger it should be able to carry a large and increasing proportion of the financial burdens of the Free World, and it can afford to do without American support that was so essential in the past.

## Joins Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Charles Hart has joined the staff of Lloyd Arnold & Company, 364 North Camden Drive.

## Two With V. K. Osborne

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Richard M. Gold and Philip S. Sanders have been added to the staff of V. K. Osborne & Sons, Inc., 400 South Beverly Drive.

## Bateman, Eichler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Duane T. Hanson has been added to the staff of Bateman, Eichler & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

## With Evans MacCormack

(Special to THE FINANCIAL CHRONICLE)

ARCADIA, Calif. — Carl S. Snyder is now affiliated with Evans MacCormack & Co., 140 East Huntington Drive.

## Now With White, Weld

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald Leitch has become affiliated with White, Weld & Co., 523 West Sixth Street. He was formerly with Shearson, Hammill & Co.

## G. H. Walker Branch

PORTSMOUTH, N. H. — G. H. Walker & Co. has opened a branch office at 27 Daniel Street, under the direction of Fred Nelson.

# Faulkner, Dawkins & Sullivan Organized

**Dwight F. Faulkner (seated), John F. Sullivan (left) and Richard B. Dawkins go over an architect's drawing of the 51 Broad Street offices of Faulkner, Dawkins & Sullivan, new member firm of the New York Stock Exchange.**

Formation of the New York Stock Exchange firm of Faulkner, Dawkins & Sullivan, with offices at 51 Broad Street, New York City has been announced today. The company will open for business on Monday, Aug. 3.

All of the new firm's principals and 22 of its employees were formerly associated with Laurence M. Marks & Co., which was absorbed by Dean Witter & Co. on July 1.

General partners are Dwight F. Faulkner, managing partner, Richard B. Dawkins, John F. Sullivan, Stock Exchange floor partner, Albert H. Faber, Jr. and John C. Dawkins.

Richard B. Dawkins, who was with Marks for 14 years, said that Faulkner, Dawkins and Sullivan's operations, especially the activities of its security analysis sections, will be directed primarily toward servicing institutional accounts. The firm's partners, and most of its employees, he explained, have been engaged mainly in this type of brokerage and investment analysis work.

The firm holds an associate membership in the American Stock Exchange and will handle its own clearing with both exchanges.

# THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks were back toying with their record peak this week, overlooking the steel strike rather successfully and concentrating on some of the good earnings reports starting to emerge and other morsels of good news around.

Without any great volume or excitement this section was able in a single session to wipe out the setbacks of several previous downhill slides to prove mostly that there is still vigor left in the traditional summer rally which already has carried the senior index above any previous reading in history.

Rails found progress a bit more difficult because so far in the steel strike they are the major segment that has been hit via carloadings and has been obvious in layoffs of personnel to counter the loss of business.

Electronics were still able to stage some occasional strength and post fat gains although, as has been the pattern recently, the wide moves served mostly to bring in profit-taking to clip the issues back.

### Split Candidates Again

Stock splits were also a powerful influence and a 5-for-1 division recommended by New England Telephone set off another round of interest in other high-priced telephone shares which are all candidates for stock splits at the moment. This trend was set off by American Telephone but had died out in recent weeks.

General Telephone benefitted both from the stock split fever—it was listed by one of the senior financial services as due for a 2-for-1 splitup—and to a degree from the interest in electronics which was heightened by its recent merger with Sylvania Electronics.

Chemicals fared well, Eastman Kodak forging repeatedly to new highs. Allied Chemical and du Pont were able to stage good improvement at times although both were having a bit of trouble with their old highs.

Stock splits so far this year seem headed for record levels and there is no dearth of candidates for similar action before the year is out, particularly since the number of splits is directly linked with rising prices. For instance, last year with the market slumping early as the recession took hold of the economy, some five dozen splits was the lowest total in a decade. This year so far the first half has seen the split activity more than doubled and the 156 splits for the first half alone is in easy reach of the 1955 total of 181 splits for the entire year.

Normally the split hopefuls are the issues selling over 100 but there have been some already proposed in issues selling at far lower prices, John R. Thompson, the restaurant chain, for instance proposing a division of shares selling at only 24 a week or so back. Hopes also center on some in the 60 and 70 bracket as well as those above par that aren't so well known, such as International Salt, United Carbon and Wagner Electric.

### Railroad Equipments Pick Up

The age-old hunt for lagged sections had settled rather generally on the railroad equipment firms which suffered last year when earnings evaporated. Here the unknown is how badly the rails will fare as a result of the steel strike although at the moment there seems to be no disposition to cut back on the capital spending by the roads which has been projected some 15% ahead of last year's total.

Much of the pickup in capital expenditures by the carriers already is in evidence—second quarter orders were half again above the similar period of last year—and the equipment firms seem assured of a general earnings recovery. Yet the shares of the firms are still available at yields running well into the 4% bracket, such as Pullman and American Brake Shoe, and to 5% and 6% in low-priced items such as Poor & Co. and Standard Railway Equipment. In some cases, like American Steel Foundries where prospects are that this year's earnings will be more than double the dividend requirement, improvement in the payout is the hope. General Railway Signal, American Brake and New York Air Brake are all expected to earn double their dividend needs this year.

### Interesting Chemical

In the chemical section the issue regarded as behind the market in that it hasn't done as well as the senior chemicals is American Cyanamid. Cyanamid has occasionally been in the spotlight when drugs were popular because of its Lederle Laboratories division. Its chemical activities have been clouded by expansion and the heavy startup costs. One acrylic fiber plant is expected to be a drag on earnings throughout the year but a petrochemical facility has turned the corner and could be a growing source of earnings. The company is given a good chance of restoring earnings to the 1957 peak this year and with heavy expenses dwindling, go on from there profitwise.

### A Tax Sheltered Textile

The newcomers to investment favor were some of the textiles as demand stepped up this year and was quickly reflected in profits. In the group the quality item, with a good outlook and an above-average yield is J. P. Stevens which is available at around a 4½% return. With earnings projected to more than $4 against $2.60 last year, this company is prominent on lists of companies where a dividend increase seems due. Helping bolster earnings is a tax-loss credit which was achieved through consolidation of subsidiaries and will still be available for the 1959 fiscal period.

Illinois Central in the rails, which cut its dividend by a third a year ago, is also considered a dividend-increase candidate particularly since the president held out such a possibility to the annual meeting providing earnings turn out as expected. The statement for the first half showed a moderate increase despite slow coal handling in the period. Even on the basis of last year's earnings, the current dividend was covered nearly three times over.

### Potentially Colossal Merger

Oils continue backward even when the general market is buoyant. And where mergers elsewhere stir up commotion, the proposed union of Texaco and Superior Oil has done little after the initial reaction. It would be one of the largest oil mergers ever, make Texaco by far the largest domestic crude producer and go a long way to making up the deficiency of about 25% between Texaco's Western Hemisphere crude production and its refinery run. For Superior, a producer only in a period of an international oil glut, there are also advantages. In any event, Texaco has still held all this year in the narrow range of only a bit more than a dozen points with little lasting interest in the colossus that would emerge if the merger goes through.

*[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]*

## Now With Sincere Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Syd Novak has been added to the staff of Sincere & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

## B. C. Ziegler Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard P. De Bruin has joined the staff of B. C. Ziegler & Co., 39 South La Salle Street.

# Bank and Insurance Stocks

By ARTHUR B. WALLACE

## This Week — Bank Stocks

The second quarter data of the 12 leading New York City banks are in, and the results were satisfactory. Quarter earnings were better than expectations of this department, averaging out at about 14%. Not as good a showing was made in the 12 months ended June 30, when in the 1959 period the average increase in operating earnings was about 3½%.

In looking over the quarter operating earnings there were only two low spots, Bank of New York and Morgan Guaranty. The former's data are not strictly comparable with a year ago, as there were different amounts of stock outstanding. First the bank issued a 50% stock dividend, and then there followed an issue of rights, the latter operation increasing the outstanding number of shares from 240,000 to 270,000. This latter change makes the showing non-comparable. In the case of Morgan Guaranty an item "Deferred profit sharing and other employee benefits, $4,252,575" versus only $2,474,741 in the 1958 first half, made a substantial difference in net operating earnings for that period.

Following are the earnings figures:

**Twelve New York City Banks**
**June 30, 1959**

| | Second Quarter | | Twelve Months —to June 30— | | Annual |
|---|---|---|---|---|---|
| | 1958 | 1959 | 1958 | 1959 | Dividend |
| Bankers Trust | $1.30 | $1.56 | $5.69 | $5.82 | $3.00 |
| Bank of New York† | 4.23 | 4.27 | 19.70 | 16.73 | 10.00 |
| Chase Manhattan | 1.08 | 1.20 | 4.33 | 4.34 | 2.40 |
| Chem. Corn Exch.** | 1.08 | 1.21 | 3.76 | 4.46 | 2.40 |
| Empire Trust¶ | 3.99 | 5.31 | 16.98 | 17.88 | 3.00 |
| First National City‡ | 1.25 | 1.43 | 4.63 | 5.17 | 3.00 |
| Hanover | 0.86 | 0.93 | 3.69 | 3.58 | 2.00 |
| Irving Trust§ | 0.61 | 0.70 | 2.67 | 2.70 | 1.60 |
| Manufacturers | 1.00 | 1.18 | 4.03 | 4.31 | 2.20 |
| Morgan Guaranty** | 1.26 | 1.34 | 5.40 | 5.10 | *4.00 |
| New York Trust†† | 1.55 | 1.87 | 6.19 | 6.57 | *3.75 |
| United States Trust | 1.42 | 1.54 | 5.53 | 5.71 | 4.00 |

*Includes extra. †Earnings not comparable because of capital change. ‡Includes First National City Trust Co. ¶Earlier data reflect 4% stock dividend. §Earlier data reflect 2% stock dividend. **Pro forma, reflecting merger April 1959. ††Chemical Corn and New York Trust have announced merger.

The Chemical Corn Exchange-New York Trust merger plan has been approved by the shareholders of the two banks, and there remains only the assent of the New York State Banking Department and that of the Federal Reserve authorities.

At this time a year ago we listed the securities profits by the banks in this group that had had sizeable securities profits. On this occasion we list the losses, where they have been reported:

| | |
|---|---|
| Morgan Guaranty | $5,871,615 |
| Bankers Trust | 2,327,155 |
| First National City Bank | *2,691,000 |
| Chase Manhattan | 15,474,982 |
| Chemical Corn Exchange | 6,893,108 |
| Hanover Bank | 6,991,183 |

Of course, these losses are wholly or partially offset by transfers that the banks make from reserves previously set up.

In almost all cases, deposits were lower than a year earlier at the June 30 quarter date. Despite this loss in working assets the banks made out better, of course, because of the higher loan rates and, too, because the banks were fully loaned up.

Some ratios for the close of the 1959 first half will be interesting:

**Twelve Months Ended June 30**

| | Price; Earn. Ratio | | % Earned on —Book Value— | | Earnings Paid in Dividends | |
|---|---|---|---|---|---|---|
| | 1958 | 1959 | 1958 | 1959 | 1958 | 1959 |
| Bankers Trust | 12.1 | 15.1 | 8.7 | 8.5 | 53 | 52 |
| Bank of New York | 10.7 | 16.4 | 10.3 | 8.4 | 55 | 60 |
| Chase Manhattan | 12.1 | 14.3 | 9.1 | 8.9 | 55 | 55 |
| Chemical Corn Exch. | 13.4 | 13.9 | 8.2 | 9.4 | 61 | 54 |
| Empire Trust | 10.5 | 13.1 | 10.8 | 10.3 | 17 | 17 |
| First National City* | 14.3 | 15.2 | 7.5 | 8.2 | 65 | 58 |
| Hanover Bank | 11.7 | 15.3 | 8.6 | 8.2 | 54 | 56 |
| Irving Trust | 12.4 | 14.7 | 10.3 | 10.1 | 59 | 59 |
| Manufacturers | 10.9 | 12.6 | 9.4 | 9.6 | 50 | 51 |
| Morgan Guaranty | 14.3 | 20.2 | 8.1 | 7.4 | 68 | 78 |
| New York Trust | 13.7 | 16.1 | 8.9 | 9.1 | 61 | 57 |
| U. S. Trust | 12.9 | 16.4 | 8.3 | 8.4 | 58 | 70 |

*Includes First City Trust Co.

The dividend pay out averages only 55.6% of the 12 months' earnings, and as the yields are mostly below 4%, it is reasonable to expect some dividend increases this year, probably in the last quarter. New York bank stocks have always had 4% or slightly higher as a yield objective.

Marketwise the "American Banker Index" established a new high.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

**The Chase Manhattan Bank, New York,** will buy the **West Indies Bank and Trust Company, Charlotte Amalie, Virgin Islands.** According to June 30 figures, the four branches of the West Indies Bank have deposits of $9,499,288 and total resources of $11,249,075. Under the purchasing agreement, the West Indies Bank will receive 22,300 shares of Chase Manhattan Bank stock in exchange for its assets; these would amount to $1,421,625. The exchange of assets for shares will be made by M. A. Shapiro & Co.

* * *

The election of E. V. Huggins to the Advisory Board on International Business of **Chemical Corn Exchange Bank, New York,** was announced July 20 by Harold H. Helm, Chairman. Mr. Huggins is Chairman of the Executive Committee of the Board.

* * *

**Irving Trust Company, New York** announces the election of William E. Petersen to its Board

William E. Petersen

of Directors. Mr. Petersen is a Senior Vice-President of the Company.

Mr. Petersen has been with the Irving since March 1928 and has had broad experience in lending and customer contact activities. In 1956 he became Head of the Branch Office Division, a position he continues to occupy.

* * *

Dr. Grayson Kirk was elected Trustee of the **Greenwich Savings Bank, New York.**

* * *

The **State Bank of Albany, New York** and the **National City Bank of Troy, New York,** will merge, subject to approval of stockholders and the State Banking Department. Resources of the merged institution would be $440,000,000. The State Bank of Albany has total resources of $377,000,000. The Bank of Troy has assets of $63,000,000.

* * *

By a stock dividend the **Stissing National Bank of Pine Plains, New York** increased its common capital stock to $75,000 from $45,000, effective July 9. (Number of shares outstanding—1,000 shares, par value $75).

* * *

Mr. John A. Basher, has been elected to membership on the Board of Directors of **Marine Midland Trust Company of Central New York,** according to John A. Sheedy, President.

* * *

Ivon S. Cahill was elected a Vice-President of the **Second Bank-State Street Trust Company, Boston, Mass.**

* * *

**The Citizens and Manufacturers National Bank of Waterbury, Waterbury, Conn.** with common stock of $800,000, was merged with and into **The Colonial Trust Company, Waterbury, Conn.,** under the charter of the latter and under the title **"The Colonial Bank and Trust Company"** as of June 30.

* * *

At the annual meeting July 15 of the corporators of **The Connecticut Savings Bank, Conn.,** one change was made in the official staff as Charles E. Rauch, Vice-President, was also elected Treasurer. Prior to this action, Carl G. Freese has carried the dual responsibilities of Chief Executive Officer and Treasurer for the past 11 years.

* * *

**First National Bank of Roaring Spring, Roaring Spring, Pa.,** with common stock of $50,000, was merged with and into **The Altoona Trust Company, Altoona, Pa.,** under the charter and title of **"The Altoona Trust Company,"** effective at the close of business June 19.

* * *

The **National Central Bank, Baltimore, Md.** merged into the **First National Bank of Baltimore, Md.** as of July 14.

There will be capital stock of $5,450,000, surplus of $16,550,000 and capital reserves and undivided profits of over $4,500,000.

As of June 30, deposits of National Central Bank amounted to $22,557,113, and those of First National to $295,707,236.

* * *

**Chesterfield County Bank, Chester, Virginia,** opened its first branch, at Southside Plaza Shopping Center in suburban Richmond, Va., on Wednesday, July 22, Louis M. Clark, Vice-President and Officer in charge of the bank, announces. The second office of the 53-year-old bank is located at 610 Southside Plaza.

James T. Lynn will be Manager of the new office. Frank L. Doherty has been named Assistant Manager.

At the time of organization on July 12, 1906, Chesterfield County Bank had capital of $2,500. On June 30, 1959, it recorded total deposits of $1,914,531 and total resources of $2,087,378.

* * *

**The Third National Bank of Sandusky, Ohio** increased its common capital stock from $300,000 to $400,000 by a stock dividend and from $400,000 to $500,000 by sale of new stock, effective July 7. (Number of shares outstanding — 50,000 shares, par value $10.)

* * *

**The Third National Exchange Bank of Sandusky, Ohio** changed its title to **The Third National Bank of Sandusky,** as of July 7.

* * *

**The Croghan Colonial Bank, Fremont, Ohio,** absorbed **The Commercial Bank Company, Green Springs, Ohio,** as of June 30, 1959.

* * *

Herman H. Pevler was elected a Director at **First National Bank in St. Louis, Mo.,** at a meeting of the bank's board, July 14, according to William A. McDonnell, Chairman of the board.

* * *

Contract for construction of the **First City National Bank's Houston, Texas,** new banking house and office skyscraper on a square block site bounded by Main, McKinney, Fannin and Lamar, has been awarded.

* * *

**The First National Bank of Arizona, Phoenix, Arizona,** increased its common capital stock from $9,200,000 to $9,660,000 by a stock dividend effective July 3. (Number of shares outstanding—966,000 shares, par value $10).

* * *

Reed O. Hunt has been elected a member of the board of directors of **Crocker-Anglo National Bank, San Francisco, Calif.,** it was announced July 14. Mr. Hunt's election fills the vacancy on the board resulting from the recent death of Harry D. Collier and restores the board to its full complement of 25 members.

* * *

Paul H. Houie applied for the establishment of the **San Francisco Bank of Commerce, California** which would have at the start capital and surplus of $1,000,000. It would have a special department for trade with the Far East.

* * *

The Board of Directors of **California Bank, Los Angeles, California,** have named Frank L. King to the newly created office of Chairman of the board and elected Clifford Tweter, President.

The announcement stated that Mr. King, formerly President, will continue as the bank's Chief Executive Officer.

Mr. King had been Comptroller of the **Continental Illinois National Bank and Trust Company, Chicago, Illinois,** since 1930 before joining the staff of California Bank as Executive Vice-President and Director in 1943. He has been President of California Bank since 1945.

Mr. Tweter has been Executive Vice-President and a Director of California Bank since 1954. He began his career in banking in 1925 with the **Continental Illinois National Bank and Trust Company** and became associated with California Bank in 1941.

* * *

Dr. Eduardo Laurencena, President of the **Argentine Central Bank, Buenos Aires, Argentina,** died July 19 at the age of 73.

* * *

**Bank of Hawaii** Board of Directors July 17 recommended to share owners that the authorized capital stock of the bank be increased from 343,750 shares to 500,000 shares.

It is the intention of the Board, when the new shares are authorized by the stockholders, to authorize a subscription offering of stock to stockholders on a basis of approximately one new share for each 10 shares owned by the stockholder.

## T. E. Cashman Opens

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — Thomas E. Cashman is conducting a securities business from offices at 311 San Marco Drive under the firm name of Cashman Investment Securities.

## Doremus Board Chairman Honored On 40 Years in Advertising

William H. Long, Jr., Chairman of the Board of Doremus & Company is shown before a portrait presented to him in honor of his completion of 40 years with the agency.

Since he joined the firm in 1919, he has seen it grow from eight employees and billings of about $300,000 to 210 employees and billings of $16,000,000.

Founded in 1903, the agency has several hundred of the nation's leading security companies, insurance companies, and banks among its clients, in addition to many general business accounts.

## Fed. Intermediate Credit Banks Offer $152 Million Debs.

The Federal Intermediate Credit Banks on July 21 offered a new issue of approximately $152 million 4⅞% nine-month debentures, dated Aug. 3, 1959, and maturing May 2, 1960. The debentures are priced at $100. It was also announced that a total of $1.5 million of outstanding debentures maturing Oct. 1, 1959, were sold for delivery Aug. 3, 1959.

Proceeds from the financing will be used to refund $133 million 3.60% debentures, maturing Aug. 3, 1959, and for lending operations. The new issue is being offered through John T. Knox, Fiscal Agent, and a nationwide selling group of recognized dealers in securities.

## Columbia Cascade Opens

SEATTLE, Wash. — Columbia Cascade Corporation has been formed with offices at 1411 Fourth Avenue Building to engage in a securities business, specializing in real estate securities. Officers are Robert J. Block, President; Perry B. Johanson, and John B. Skilling, Vice-President; James W. Cawdrey, Treasurer; John L. Nordmark, Secretary; and James V. Williams, Assistant Secretary. Mr. Block was formerly with Walston & Co., Inc.

## Form Financial Mgmt.

Financial Management, Inc., has been formed with offices at 11 Broadway, New York City, to engage in a securities business. Ben Eisenberg is a principal in the firm.

*Continued from page 3*

# Rebuilding Debt Structure As a Stabilization Device

moneyness of the multi-billion dollar total of Federal obligations.

**TABLE I**

**Percentages of United States Marketable Securities in Three Maturity Classes***

| Date | Maturity Class: Within 1 Year | 1-5 Years | Over 5 Years | †Total |
|---|---|---|---|---|
| June 1951 | 31.0 | 32.6 | 36.2 | 99.8 |
| June 1952 | 32.5 | 32.0 | 35.4 | 99.9 |
| June 1953 | 43.8 | 21.9 | 34.1 | 99.8 |
| June 1954 | 39.9 | 18.6 | 41.2 | 99.7 |
| June 1955 | 32.0 | 24.6 | 43.3 | 99.9 |
| June 1956 | 37.8 | 20.6 | 41.4 | 99.8 |
| June 1957 | 45.6 | 25.1 | 29.1 | 99.8 |
| June 1958 | 40.7 | 24.6 | 34.7 | 100.0 |

*These data were obtained from the following issues of the **Federal Reserve Bulletin**: Vol. 40, No. 2 (February 1954), Vol. 41, No. 12 (December 1955), Vol. 44, No. 5 (May 1958), and Vol. 44, No. 9 (September 1958). †This column contains rounding errors.

The data in Table I summarize the change which has taken place in the relative composition of the marketable portion of the Federal debt[2] over recent years. Such changes in debt structure cause the Government bond market to adjust continuously and these adjustments—by which the changing flows of Federal Government securities into and out of the private sector of the economy are assimilated—bring about changes in the liquidity position of the private sector of the economy. No attempt will be made here to estimate the effects of these changes in any precise fashion; however, theoretical considerations combine with the absolute magnitudes involved to suggest that they have not been insignificant. A casual look at the data indicates that the variation in debt structure has not been such as to make the direction of these effects coincide with the directions of those of other stabilization measures. In fact, the data show, at best, a capricious liquidity impact — which is about what should be expected, given the number of goals the Treasury's debt-management team has tried to achieve and the pressures it has tried to relieve.

### Cites a Simple Problem

Insight into the problems associated with effective utilization of the potential of debt management manipulation may be gained by raising what appears to be a simple problem. Assume a period of stability in appropriate indices of prices, employment, and output. Monetary policy makers under these circumstances would, of course, be directing their efforts toward maintaining these conditions; for debt management purposes let us suppose that this means to them that they should be trying to stabilize the liquidity characteristics of the debt. The immediate problem facing the authorities is that $3 billion worth of 10-year bonds come due tomorrow. What sort of action should they take?

At first thought it appears that the thing to do is to issue another 10-year security. But such action clearly would not be a neutral one: tomorrow the issue coming due will consist of a group of **matured** 10-year securities; these have different near-money characteristics than **new** 10-year securities; substituting the latter for the former will make the aggregate liquidity characteristics of the Federal debt different day after tomorrow than today.

An alternative course of action would consist of focusing attention, not on the number of years for which the maturing bond was originally issued, but rather on the average maturity of the total debt outstanding. Continuing the above illustration, let us assume that the average maturity of the debt is five years and that the next refunding action (after this one) will take place six months from now. In this case, the problem is to determine a bond length such that the average maturity of the total debt becomes five and one-fourth years "tomorrow"[3]—hence averaging five years over the next six months. A by-product of this illustration is that it makes clear the fact that some variation in average maturity is an inherent part of a debt structure in which refundings do not occur "daily."

The discussion in the above paragraph implies that the liquidity impact of the debt is a function simply of average maturity. This raises a question: would two multi-billion dollar, privately-held debts with the same average maturities but with different compositions exert the same liquidity impact upon the economy? The answer to this question is not known, and until it is known, disregarding distribution among maturity ranges (and indeed, other characteristics such as call features, ownership restrictions, and the like) would surely be premature.

These considerations suggest the desirability of searching for an alternative means of stabilizing the liquidity characteristics of the debt. Clearly it could be done either by converting the whole debt into perpetuities or by monetizing it. Both of these methods are simple and straight-forward. However, either of them would be politically unpalatable as a course of immediate action. And there is good economic reason for political disapproval: either would impose sizable short-run adjustments on the economy. Nevertheless, both of these actions would "neutralize" the debt, as that term is to be used here: i.e., both would do the job of disposing of the problem of capricious change in the liquidity impact of the debt. For once the economy had adjusted to either of these new debt structures, problems associated with fluctuation in the aggregate near-moneyness of the total debt would disappear, other things being the same, "forever."

### Discusses Roll-Over Techniques

The aim of neutralization may be achieved in a happier fashion by utilizing a continuous roll-over technique. How this technique would work may be illustrated by assuming that the monetary authorities desire to neutralize $10 billion worth of debt. If each year for the next 10 years $1 billion of 10-year marketable bonds were issued a "neutralization cycle" would be completed. For, from the 10th year on, the $1 billion worth of securities coming due each year would be refunded ("rolled over") in the form of new 10-year securities identical with the ones maturing; this particular $10 billion worth of debt, therefore, would roll over continuously through time, its aggregate liquidity remaining "the same" year after year.

The use of the technique suggested above involves three requirements: these are that the dollar value of the total debt in any cycle be divided into the same number of chunks as there are years in the cycle, that each part be equal-valued, and that all of the debt in the cycle be lodged in private portfolios. That is, a complete 10-year cycle must have one chunk of the debt one year from maturity, another part two years from maturity, another part three years from maturity, and so on; all parts must consist of the same number of dollars' worth of obligations at maturity; and, finally, none of the securities involved in the cycle may be held by the Federal Reserve Bank or by any public agency. If any one of these conditions is not met, the cycle will exercise a varying liquidity impact on the private sector of the economy as it rotates through time.

The use of this device is compatible with a debt structure not drastically different from the one currently in existence. There are at the present time, for example, roughly $20 billion worth of notes outstanding—by definition all of these will come due within five years. To simplify the exposition, assume that $8 billion of these come due in 1959 and the remaining $12 billion in 1960. To establish a cycle, the $8 billion coming to maturity in 1959 could be refunded into two separate issues, $4 billion of which would mature in 1965 and $4 billion of which would mature in 1964. In 1960 the $12 billion worth of maturing obligations could be refunded into three issues of $4 billion each, one of these coming due in 1963, one in 1962, and one in 1961. As of that time, then, this particular $20 billion worth of debt would be "neutralized" in the sense of this paper. Each year from 1961 on, $4 billion worth of these notes would mature and be replaced by the issue of new five-year securities. Thus, the structure of this portion of the debt would not have been greatly changed from its present form.

### Debt Reconstruction

What has been said above is primarily oriented toward neutralization: freeing monetary authorities from the messiness and uncertainty which flow from capricious fluctuation in the aggregate liquidity of the Federal debt.[4] The next problem which logically should be raised is this: what structural attribute would contribute to the greater stabilization effectiveness of debt liquidity manipulation? And it seems to me that the most important thing which could be said in this connection is far from new: namely, the structure should always include an "ample supply" of marketable long-terms or perpetuities. The point is, of course, that these would be highly illiquid — relatively poor substitutes for money —so that the scope of monetary manipulation (through open market operations: converting bonds into money and vice versa) and debt manipulation (converting long-terms into short-terms and vice versa) would be broadened.

The basic idea upon which this paper focuses attention is that changes in the form of the debt exert an influence on the economy. If this is correct, the process of debt reconstruction is not without problems and difficulties of its own. Assume that there were general agreement on the desirability of a structure of this sort:

(a) 5% of the debt in the form of 13 week bills;

(b) 30% in the form of one-year certificates, maturing smoothly throughout the year at weekly intervals;

(c) 30% spread evenly among the ten annual "slots" of a ten-year cycle;

(d) 30% spread evenly among the twenty annual "slots" of a twenty-year cycle;

(e) 5% in the form of perpetuities.

This structure would put 39.5, 18, and 42.5% respectively into the "within one year," "one-five years," and "five years and over" categories[5] whereas, as shown in Table 1, the "present" percentages in these categories are 41, 25 and 35 respectively. Thus obtaining the new structure would involve (in addition to redistribution of the debt within maturity classes) a net conversion of "short" securities into "long" ones—a deflationary process. This obviously is a potential source of difficulty which might be serious. The best that can be said in this connection is that there probably is some combination of easing actions which would offset such a depressive conversion. Thus, by moving slowly, announcing and explaining the objectives, and standing ready to engage in compensatory action as necessary, it should be within the realm of possibility to obtain such a new structure without prohibitive costs in terms of adverse effects upon the level of income, employment, and prices.[6]

Within the framework provided by viewing stabilization as *the* goal of debt-management, certain aspects of the proposed structure are clearly advantageous. First: disposing of capricious change in the liquidity impact of the debt is an obvious improvement. Second: the debt structure under discussion, with well-developed markets at both ends of the maturity continuing, makes is possible for the monetary authorities to explore a wide range of monetary debt-management activities. Third: there is a flexibility about this structure which is fairly certain to make it consistent with a variety of comprehensive designs for the future; thus if the monetary-fiscal order which eventually obtains the general endorsement of economists should require secular expansion or contraction in the aggregate quantity of Federal debt, either type of change could be incorporated smoothly into this structure through variation in either the number or content of, say, the intermediate or long-term cycles.[7]

### Aims of Debt-Management

We must now recognize, however, that there is no general agreement upon the aims of debt-management — the assumption made at the outset of this paper is clearly contrary to fact. The differences in opinion range from support of the idea that stability should be the sole aim of debt-management action to the belief that it should be given almost no role in debt-management decisions.[8] The debt-management structure proposed in this paper could fit harmoniously into a debt-management policy composed of one or several of the goals which may be found in the literature — such as stability and an obligation to furnish an "adequate supply" of, and a well-developed market for, a wide variety of securities. On the other hand, it is very clear that the proposed structure may be in fundamental conflict with certain others — such as minimizing the total interest burden and maintaining least-possible fluctuation in interest rates.[9] This means that implementation of the structural reorganization suggested in this paper, if it is to occur at all, must await the outcome of the controversy concerning the ends toward which debt management should be directed.

### Summary

I should like to summarize and place in brief perspective these thoughts about debt management:

(1) The experience with and discussion of problems related to the large post-World War II public debt make it reasonable to focus attention upon the view that concern for the quantity and types of interest-bearing Federal obligations should be put alongside concern for the quantity of money, and further, that manipulative power over these two types of assets should be combined to form a single comprehensive instrument of control over the liquidity of the private sector of the economy.

(2) The appropriate use of the stabilization potential inherent in management of the debt would be greatly facilitated by deliberate reorganization of its structure. At the present time the debt has no meaningful form, consisting, as it does, of various-sized chunks spread out over time. Converting these obligations into a major instrument of monetary policy may

2 Focusing attention upon the marketable portion of the federal debt alone means omitting discussion of two large debt segments: privately held savings bonds and those held in the various Treasury trust accounts. The former obviously cannot be permanently ignored in the design of a comprehensive stabilization scheme, since their present form is definitely a liability in this regard. (See footnote 5, "A Debt Management Proposal" for an elaboration of this statement and a suggested method of handling the problem savings bonds present —a method which amounts to the incorporation of this segment of the debt into the marketable portion.) The latter pose no special problems: they can be used or not used for stabilization purposes, at the convenience of the monetary authorities.

3 The length of the new bond will depend, of course, on its relative size and the relative sizes and maturity schedules of the other outstanding "chunks" of debt.

4 Perhaps it is not superfluous to point out that this is a relatively weak use of the word "neutralization." In this paper "neutralized debt" is debt from which capricious liquidity change has been eliminated; it is *not* defined as debt which exercises no influence upon the level of prices or income. Thus, as used here, "neutralized debt" is an operational term, much more closely related to the idea of a constant quantity of money than to the broader conceptual notion which economists have in mind when they use the term "neutral money."

5 These figures were obtained as follows:

Within One Year: all bills, 5%; all certificates, 30%; 1/10 of the ten-year bonds, 3%; 1/20 of the twenty-year bonds, 1.5%; Total, 39.5%.

One-Five Years: 4/10 of the ten-year bonds, 12%; 4/20 of the twenty-year bonds, 6%; Total, 18%.

Five Years and Over: 5/10 of the ten-year bonds, 15%; 15/20 of the twenty-year bonds, 22.5%; all perpetuities, 5%; Total 42.5%.

6 It should be clear that it is the general rather than the specific form of the structure suggested above which is important. There are two essential characteristics of this general form. First, portions of the debt must be located in both the very short and the very long markets; it is these markets which the monetary authority may be expected to use for purposes of effecting net changes in the liquidity of the private sector of the economy. Second, there must be some number of roll-over cycles which consist of marketable securities representing, in the aggregate, a large percentage of the debt; these securities are lodged entirely in the private sector—the monetary authority has no contact with them except when they come due, at which time it automatically reissues them. The specifics of such a structure, once it has been established, are of little interest so long as they conform to this general pattern. Whether the cycles are for one, ten, and twenty years rather than five, ten, and fifteen years, whether the "long" bonds are perpetuities or fifty-year bonds, etc. —these are matters of little consequence to the stabilization aims of the structure. The choice of one set of specifics rather than another would be based primarily upon the factors discussed in the text above, relating to transitional difficulties.

7 There may be another gain of some importance associated with the proposed reorganization which grows out of the increased certainty on the part of dealers and portfolio managers about the timing of refunding actions and the types of securities to be offered. It seems possible that this could result in a distinct improvement in the general "state of health" of the government bond market.

8 The extreme positions are those taken by Simons and Stein. (See: Henry C. Simons, "On Debt Policy," *Journal of Political Economy*, LII, No. 4 [December, 1944], 356-61; reprinted as Chapter 9 in the collection of Simons' essays, *Economic Policy For A Free Society* [Chicago: The University of Chicago Press, 1948]. And, Herbert Stein, "Managing the Federal Debt," *The Journal of Law and Economics*, Vol. 1 [October, 1958], 97-104.) Most observers occupy positions somewhere in between these extremes, sympathetic to the notion that debt management should play an affirmative role in stabilization of the economy but unwilling completely to renounce other goals for this end. In working through the literature, one feels in the post-World War II writers a fairly general dissatisfaction with the state of thinking about the relative weights which should be attached to the various goals of debt management.

9 At present the Treasury tries to tailor its issues, to some extent, to the market. In contrast, the roll-over process described in the text consists of mechanically reisuing duplicates of the maturing securities without regard to prevailing market conditions; essentially and primarily, this process substitutes variation in selling price for variation in maturity. Therefore, it seems probable—but not certain—that maintaining any given distribution of the debt within specified maturity ranges will, in the long run, involve larger interest rate fluctuations and greater aggregate interest charges when the roll-over technique is used.

be accomplished by structural rebuilding designed to do two things: first, prevent *undesired* liquidity change by neutralizing the major portion of the debt; second, incorporate into the other debt segment devices which make it possible to bring about *desired* liquidity change smoothly and effectively. A structure such as the one suggested above—5% of debt in the form of very short bonds, 5% in the form of very long bonds, and the remaining 90% neutralized—seems to meet both of these requirements.

(3) From the stabilization point of view, there are several fairly certain gains which would accrue as a result of instituting the structural reforms outlined above. Making these gains, however, may be at the expense of certain other accomplishments — such as minimizing the debt burden — which are viewed by some economists as legitimate and important goals of debt-management policy. Thus discussion is turned back to the main arena: what should be the goals of debt-management policy?

## Int'l. Recreation Corp. Common Stock Issue Placed on the Market

International Recreation Corporation has sold 980,000 shares of common stock, at $17.50 a share, it was announced July 20 by Peter DeMet, President.

Webb & Knapp, Inc., purchased 400,000 of the shares at the offering price, and the balance of 580,000 shares was distributed to the public through an underwriting group headed by Bear, Stearns & Co. and Reynolds & Co., Inc.

The net proceeds of approximately $16 million will be used to finance construction of the 205-acre "Freedomland" recreation and exhibit park in the Bronx, N. Y., plans for which were announced last month. The prospectus covering the offering also revealed that the company is planning a similar facility in the Greater Miami area, to be called "Discoveryland."

Construction of New York's "Freedomland" will begin immediately upon completion of the offering, Mr. DeMet said, and the park is expected to be open to the public by June, 1960. The 205-acre site, conveniently located in the Baychester area, has been leased from Webb & Knapp, Inc., for a 51-year period. Believed to be one of the largest outdoor entertainment areas in the world, "Freedomland" will recreate the history of the United States through 41 exhibits ranging from Plymouth Rock, through 18th Century New York and the Civil War, to the present day.

"Freedomland" will be built for International by Marco Engineering Company under the direction of the latter's President, C. V. Wood, Jr. Mr. Wood was Disneyland's Vice-President and general manager until he formed Marco in 1956. The Marco organization designed and built Pleasure Island, which opened in Boston last month; other Marco projects currently in the design stage or in construction are located in Denver, Sacramento, Dallas and Caracas, Venezuela.

This is the first public offering of International Recreation's shares and will bring outstanding common stock, 50¢ par, to 1,000,000 shares, out of 1,080,000 authorized. The remaining 80,000 shares are reserved for conversion of a similar number of "deferred" shares issued to management and the underwriters. The deferred stock will be held in a voting trust, and will be convertible into common, share-for-share, beginning July 1, 1962. No other debt or equity issues are outstanding.

## Fanon Electronic Common Stock Issue Marketed

Public offering of 150,000 shares of Fanon Electronic Industries, Inc. common stock at a price of $3 per share was made July 20 by L. D. Sherman & Co. and associates.

Net proceeds from the sale of the common shares will be added to the general funds of the company and used for the retirement of presently outstanding short-term bank loans. The balance of the proceeds will provide working capital to finance increased inventories and accounts receivable resulting from expanded volume.

Fanon Electronics Industries, Inc., with its executive offices and plant in Brooklyn, N. Y., is engaged in the manufacture of monophonic and stereophonic phonographs, stereophonic conversion kits, intercommunication equipment, and telephonic intercommunication systems. In 1958, in addition to its manufacturing and assembling operations, the company became the exclusive wholesale distributor of a line of telephonic intercommunication equipment manufactured by Allgemeine Telefon Fabrik, a West Germany company.

For the year ended Jan. 31, 1959, the company had net sales of $1,183,034. Upon completion of the current financing, outstanding capitalization of the company will consist of 450,000 shares of common stock.

## Blue Ridge Director

The election of Norbert L. H. Roesler as a Director of Blue Ridge Mutual Fund, Inc., has been announced by Milan D. Popovic, President.

Mr. Roesler is a Merchant Banker and is President and Director of Amsinck, Sonne Corporation. He is also the United States Representative of Amsterdamsche Bank N.V. and a Director of American Sumatra Tobacco Corp., International Investors Incorporated, American Trading Co. and Gillespie & Co.

# Bank Chides Congress for Refusing To Free Interest Rate Limit

**Morgan Guaranty Trust Co. calls attention to incongruous Congressional alacrity in extending federal debt limit and reluctance in freeing the interest rate ceiling established in 1918. The Bank concludes that Congress is unable to face the realities of public finance when it agrees that its spending actions warrant a higher debt limit but not any interest rate policy change. Besides endorsing the President's proposals, the Bank also favors making substantial debt retirement an objective of fiscal policy at this time.**

Discontinuity on the part of Congress, in facing up to the problems of and solutions to financing the Federal debt and spending programs does not escape the critical eye of the *Morgan Guaranty Survey.*

The *Survey* is a monthly business letter published by the Morgan Guaranty Trust Company of New York. The July issue observes that "the proposals for abolition of ceilings on interest rates had rough going in Congress. Two weeks after the President's message was received, the majority leadership of the House held a special meeting, found the plan unacceptable, and decided to ask the Administration to make alternative recommendations. Later, majority members of the Ways and Means Committee were reported to have agreed on a plan to authorize the President to lift the rate ceiling for any bond flotation if he should find that the national interest required it. No legislative moves in that direction, however, have been made at this writing.

"Congress readily voted increases in the debt limits, although the regular ceiling was raised only to $285 billion, depriving the Treasury of the $3 billion leeway the President recommended. The temporary limit was raised to the $295 billion requested by the President. The measure became law with the President's signature on June 30.

"The interest-rate measures requested by the President are constructive proposals of long-term benefit to the nation's fiscal health. The 4¼% ceiling is obsolete. Even in the closing year of World War I, the legal rate limit was maintained only by the efforts of Liberty Loan Committees and by an indirect rate increase in the form of a limited income-tax exemption. These devices are not available to sell bonds now. The Treasury is forced to confine itself to short-term borrowing, which carries a high inflationary potential and weakens the dollar at home and abroad.

"The request for higher debt limits merely called on Congress to confirm what it had already created—a need for further borrowing due to the budgetary deficit. The contrast between Congress' reluctance to free the interest rate and its quick approval of another stretch in the debt limit indicates a failure to face the realities of public finance."

### Opposing Views on the Debt Limit

"The events attending the end of fiscal 1959 raise again the question of the usefulness of the statutory debt limit as presently conceived. As a deterrent to spending, its practical ineffectiveness has been repeatedly demonstrated. The argument is made, on the other hand, that it does apply a psychological restraint to the spending proclivities of Congress and also provides some Congressional brake in the areas where the Executive Branch can spend without Congressional appropriations.

"Opponents of the ceiling concept contend that it hampers debt management by forcing the Treasury to refund its obligations only at actual maturity, rather than when money-market conditions are most favorable. They argue also that the fixed limit has forced the Administration to finance Congress-approved projects through obligations of Federal corporations and agencies at higher interest rates than the Treasury would have had to pay if borrowing directly. And they contend that the arbitrary 'top' on Federal borrowing has on occasion tied the government's hands in carrying out national defense plans and in taking action to influence the business cycle.

"Reviewing these arguments in a study just published by the Brookings Institution, Dr. Marshall A. Robinson, a member of the Institution's senior research staff, concludes that the ceiling has indeed failed as a device for controlling expenditures, that it has given rise to the abuses mentioned above, and that it should be replaced by a flexible ceiling permitting the Treasury to borrow whatever it needs to finance outlays approved by Congress."

### The Fiscal Outlook

"Matters of technique aside, the important fact of course is that no device yet invented or to be invented will inhibit spending effectively in the absence of a sincere desire on the part of a majority in Congress to do just that. Procedures, formalities, rituals and psychology will not secure the purse strings.

"This reality is brought forcefully to mind in appraising the outlook for the fiscal year just beginning. The revised estimates presented to Congress in June indicate a surplus of $200 million instead of the $100 million forecast in the President's regular budget message last January. This is a very narrow margin in a budget of $77½ billion. It is contingent, moreover, on acceptance by Congress of the President's proposals for increases in postal rates and gasoline taxes, neither of which now seems likely to carry. On the other hand, rising business activity may produce revenues exceeding the present estimate. The President told a news conference on July 1 that a balanced budget in fiscal 1960 is his 'minimum objective' and that 'we should be starting to pay something on our debt,' adding that he expected 'we are going to do just that.'"

### Hope for Debt Retirement

"Only time can validate the optimism of the President's forecast. But even the serious hope of debt retirement as an immediate possibility is encouraging. The habit of deficit financing that developed during the great depression and World War II has proved very difficult to break. The Federal debt in the hands of the public has risen by about $17 billion in the last decade, and state and local debt has risen more than twice as much.

"Such constant pressure on public budgets, through good times and bad, augurs poorly for long-term monetary stability. There are occasions that demand governmental deficits, but that very fact makes it imperative that government credit be kept strong to meet such occasions. This means that deficits incurred out of necessity must promptly be redeemed as soon as more favorable circumstances permit. If they are not, the inescapable consequence is a continuing rise in debt, with inflation as the ultimate outcome. At a time like the present, with business active and concern over inflation widespread, substantial debt retirement must be the objective of fiscal policy."

# Reheis Common Stock Offered to Investors

Offering of 87,000 shares of class A stock of the Reheis Company, Inc., was made July 22 by Aetna Securities Corporation at $5 per share. All of the shares being offered are issued and outstanding and no proceeds from their sale will accrue to the company.

Reheis Company, Inc., was incorporated in 1928 under the name of Schofield-Donald Co., Inc., and the present name was adopted in 1947. The company manufactures and sells fine chemicals in bulk primarily to ethical pharmaceutical manufacturers and cosmetic manufacturers. The company's two principal products are aluminum hydroxide gels used in the preparation of medicinals for ulcer management and other gastro intestinal disorders and a series of aluminum oxychlorides which find application as the active ingredient in antiperspirants.

For the three months ended March 28, 1959, the company reported a net income of $45,473.

## J. S. Foley Opens

(Special to THE FINANCIAL CHRONICLE)

MELBOURNE, Fla. — James S. Foley is conducting a securities business from offices at 1002 New Haven Avenue.

## J. L. Fields Opens

WEST ORANGE, N. J.—Jerry Fields is conducting a securities business from offices at 23 Barry Drive under the firm name of J. L. Fields & Co.

## Economic Planning Branch

SCHENECTADY, N. Y. — Economic Planning Corp. has opened a branch office at 1681 Van Vranken Avenue, under the management of Carmen L. Bell.

## First Angeles in N. Y.

First Angeles Corporation has opened a branch office at 55 Liberty Street, New York City, under the direction of Leslie W. Gallt.

## With La Hue Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Robert W. Lensink is now affiliated with La Hue Investment Company, Pioneer-Endicott Arcade.

## Joins Jamieson Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Myron L. Folsom is now connected with Jamieson & Company, First National Soo Line Building.

## First Fidelity Branch

ROME, Ga. — First Fidelity Securities Corporation has opened a branch office at 200 Fifth Avenue under the management of Robert F. Sloneker.

## With Midland Inv.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Bernard C. Jaeger is now with Midland Investors Company, 1558 West Seventh Avenue.

## Now Continental Plans

The firm name of R. Robert Newman Company has been changed to Continental Plans & Shares, Inc. and the firm's address is now 152 West 42nd Street, New York City.

# Wanapum Hydro-Electric Bond Financing Completed

At formal ceremonies July 16 in the offices of the investment banking firm of Kuhn, Loeb & Co., New York City, a check representing the net proceeds from the sale on July 1 of $195,000,000 Wanapum Hydro-Electric Revenue Bonds of Public Utility District No. 2 of Grant County, Wash. was handed to officials of the District. The presentation was made by representatives of the underwriting group which offered the bonds for public subscription. The group was headed by Dillon, Read & Co. Inc.; Kuhn, Loeb & Co.; John Nuveen & Co. Incorporated; B. J. Van Ingen & Co. Inc. and Foster & Marshall.

Shown above, seated, center, is E. L. Douglass, Auditor of the District, as he accepted the check from David T. Miralia, right, Partner of Kuhn, Loeb & Co., and Robert E. Christie, III, left, Vice-President of Dillon, Read and Co. Inc. Observing, standing, left to right, are Donald A. Meyer, Partner of Foster & Marshall; Frank C. Carr, Vice-President of John Nuveen & Co. Incorporated; and Bernard J. Van Ingen, Jr., Vice-President of B. J. Van Ingen & Co. Inc.

The Development will consist of a dam 8,540 feet in length, a 10-generator powerhouse, and related facilities. The maximum height of the dam will be about 186 feet. Total installed name plate rating of the 10 generators will be 831,250 kilowatts. The construction contract requires that six of the generators be installed and ready for commercial operation by Sept. 1, 1964 and that all 10 be ready for operation by Jan. 1, 1965. Initial generation of power is expected to commence by Sept. 1, 1963. Work on the Development is expected to get under way this month.

# Study Shows Rise and Dangers in U. S. Direct and Indirect Loans

**Bankers call for gradual return to private lending after showing continuing rise in government lending and its harmful threat to the economy. Observes that the excuse there is no credit readily available on reasonable terms from private sources usually means credit is not available at below market rates. Finds that this subsidization impairs monetary policy, complicates debt management and weakens savings. Proposes certain principles to govern Federal lending during transition period to private lending.**

The American Bankers Association recently released a statement on direct and indirect lending programs of the Federal Government to nongovernmental enterprises. The statement, which was prepared by the Association's Credit Policy Commission, was adopted by the Executive Council.

A complete text follows:

"During the past quarter-century, the credit of the Federal Government has been employed to a growing extent to make direct loans and to guarantee or insure loans of nongovernmental enterprises. The Federal budget estimates that by June, 1960, existing lending programs will reach a total outstanding of $105 billion—including $23 billion direct loans and $82 billion guaranteed or insured loans. This compares with June, 1958, amounts of $18 billion direct and $59 billion guaranteed or insured—for a total of $77 billion. In June, 1945, there were $5 billion of direct loans and $6 billion of insured or guaranteed loans—or a total of only $11 billion.

"These expanding government lending programs represent about one-sixth of the outstanding private debt. They permeate all major credit markets. They cover agriculture, general business, particular branches of commerce and industry, housing, international trade and investment, local governmental organizations, and even consumer lending.

### Measures Effect on Economy

"Over the years, government lending programs have been instituted to implement a wide range of social and economic objectives. While many of these objectives are doubtless desirable, the effect on the economy as a whole of implementing them through government lending programs has not been clearly recognized. These programs have introduced rigidities into our financial structure that constitute a long-range threat to economic stability and realization of the economic potentials of our nation.

"It is widely accepted that both fiscal and monetary policies should constantly be adjusted as economic conditions change. Yet direct lending programs have been a major factor in hindering flexibility in fiscal policy; and both direct and guaranteed lending programs — at times partly insulated from flexible credit mar-

kets—have not only impaired the effectiveness of monetary policy but also have complicated the problem of Treasury debt management. The ability of fiscal and monetary authorities to pursue the twin objective of economic stability and sustainable growth has thus been weakened.

"Government lending programs, by favoring one economic activity or social group over another, often restrict the mobility of resources. They create hidden subsidies that perpetuate economic maladjustments. At times, they encourage speculative use of credit. They relieve private capital of the risk function that is fundamental to the American economic system. These factors tend to foster a progressive relaxation of the terms and conditions of lending, and expose the Treasury to a risk of loss that too often is disregarded.

"For the most part, government lending programs have been developed on the premise that credit is not readily available from private lenders on 'reasonable' terms. Usually, the 'reasonable' terms mean lower interest rates. This creates a bias in favor of interest rates below the levels that otherwise would prevail, and makes more difficult the problem of promoting a flow of savings sufficient to achieve a sustainable rate of economic growth."

**Considers Indirect Costs**

"The cost of a government lending program is not measured simply by the direct outlays involved. Equally as important are the indirect costs created through the impact of the program upon the overall credit structure, including the rates paid by the Treasury on its own obligations. It should be abundantly clear that the offering of terms more favorable than those that would prevail in the market in the absence of a guaranty or direct government loan produces for the borrower an indirect subsidy, the cost of which must be met ultimately by the general taxpayer or, in the absence of adequate taxation, by inflation. The recipients of these subsidies inevitably become more concerned with continuing and extending the availability of easy credit than with the effects of such credit on the general public welfare.

"In view of the foregoing considerations, the Association believes that the long-run public interest will best be served by the ultimate return of all loan and credit functions to private risk-taking institutions operating in markets where forces of supply and demand determine how funds are allocated to different sectors of the economy. The Association recognizes, however, that because government credit is so deeply imbedded in the financial system, the return of such lending activity to private institutions should be gradual. To this end, the following principles should be applied in the evaluation of any lending program":

**Suggests Transition Principles**

"(1) The program should be self-sustaining, so as to cover:

"(a) The average cost to the Treasury of capital funds advanced to the administering agency.

"(b) The average cost to the Treasury of all funds loaned to the agency whether for direct lending or secondary market purposes.

"(c) Administrative expenses of the program.

"(d) Provision for losses on credits granted.

"(2) Interest rates should not be fixed by statute or regulation. Lending policies and interest rates should be responsive to monetary policy and should be allowed to fluctuate in accordance with supply and demand conditions created in the market place by borrowers and lenders. Direct loans and government secondary market operations should not be used to circumvent changes in interest rates.

"(3) Any government lending program which tends to perpetuate rather than correct an economic maladjustment should be eliminated. The real solution to readjustments produced by such factors as technological development, changing climatic conditions, or consumer needs and preferences, calls for mobility of resources. Enterprises which become inefficient or uneconomic as a result of such changes should not be sheltered from competition by an umbrella of government credit.

"(4) Any revolving fund which perpetuates a government lending operation should be subject to periodic Congressional review to determine whether its continuation is still necessary or desirable.

"(5) Whenever the initial capital of a program is provided by the Federal Government, definite provision should be made for its later repayment and the transfer of the function to private credit facilities.

"(6) Whenever Federal Government credit is considered necessary to support a lending program, direct government loans should be avoided. Any such program should be administered through private credit institutions during the period such support exists.

"(7) The development of friendly countries, international trade, and defense activities may temporarily necessitate the use of government credit for national security or humanitarian purposes. Nevertheless, even here private financing should be encouraged rather than thwarted by public policy.

"(8) Federal Government lending should not be used as a substitute for local government credit to finance local public functions. The burden of local responsibility cannot be appropriately shifted to the Federal Government on the theory that tax-paying ability that does not appear to exist locally should be sought at the Federal level."

## Form Barron & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Barron & Co. has been formed with offices on Pryor Street to engage in a securities business. Officers are Lewis W. Barron, President and Treasurer, and Virgil H. Barron, Vice-President and Secretary.

## Named Director

Sheldon S. Leighton, Chairman of The Board and President of Darius, Inc., investment securities firm, has just been elected to the Board of Directors of United Components Inc., of Orange, New Jersey.

*Continued from first page*

# As We See It

exactions far more serious and realistic thought than it has so far had. First of all, the fallacious theory of the New Deal, so sedulously repeated and used by unions, that higher and higher wages somehow create purchasing power and thus promote prosperity and growth must be abandoned forthwith. It should be needless to say that there is no vestige of truth in it. All the value of the output produced is distributed as income to one or the other of the factors producing it and that is all the purchasing power its production creates. If competition is maintained, then no one and no group gets shares of the output greater than their contributions to its production. It is absurd to suppose that the wage earner spends (or invests) his income more fully or in any way vitally different from the rest of us. Once this now all too popular notion that higher and ever higher wages are a blessing to the economy is completely rejected, a great deal of the power of the unions to exact undue compensation with the implicit help of the politicians will be lost.

But this, of course, is not the whole problem. We must come to a full realization of the fact that it is quite futile to demand reason from any group, either of employers or employees, which has a monopolistic position. Of course, we have antitrust laws which by and large prevent monopolistic combines in industry—with the exception of labor of course. The President's demand that the steel industry and steel labor come to a non-inflationary agreement as to wages and other matters in dispute is well enough, but the fact is that there is no one to say nay to the unions and no one — probably not even the President—who is able to bring public opinion to bear upon the steel unions effectively enough to have a great deal of bearing upon the outcome — not, that is, in the present state of foolish thinking about the basis for wages and all the other economic considerations that are involved in this instance.

This obviously indicates that the American people must not further delay reconsideration of the philosophy which led them to give labor unions virtual freedom from the antitrust laws of the land. And incidentally, it is not only a matter of the antitrust laws but much of the run-of-the-mill legislation and common law, which labor ignores even if it has not been given specific exemption from them. In some cases the judiciary has followed the current flow of opinion and in effect given labor unions exemption from laws which the rest of us are expected to obey. This is perhaps most conspicuously true of picketing in all its ramifications. The thought that freedom of speech granted by the Constitution guarantees the right to picket as picketing is now done is simply absurd.

### Those "Productivity" Figures

Generally speaking, the authorities have often weakened their case against labor extortion by misuse of productivity figures. Here is another infirmity which makes it more difficult to bring public opinion to bear upon unions engaged in labor disputes. It appears to be taken for granted that labor is by some sort of natural right entitled to wages which rise as fast as "productivity." Yet very little thought is required of any one who knows what "productivity" means in current usage to see that such is not the case. Of course, it strains the credulity of the informed man in any event to take very much stock in the figures prepared and published purporting to measure changes in productivity. This is, of course, no place to enter into any discussion of the technical limitations circumstances place on such figures, but it may be said without fear of contradiction by any one who knows much about the subject that little less than magic would be required to compile really accurate statistics on this subject.

But in any event, let it be remembered that "productivity" as the term is currently used means nothing more or less than the average output of one man working one hour. Obviously, a man working one hour produces a good deal more if he is supplied with the latest and most modern tools and other equipment with which to work. It is equally obvious that the latest in such equipment is in these days exceedingly expensive—as is also the fact that the workers who claim advances in wages to match increases in manhour output supply none of this equipment. Why an ordinary wage earner should feel that he is entitled to higher pay on the strength of increases in his output which must be attributed to the contributions of someone else is not easy to understand.

Fully as important, perhaps, is the supposition that seems somehow to persist that "productivity" figures are a measure of the productiveness of industry—that is of the volume of output in, say a year. Obviously this is not the case since one of the "gains" that labor insists upon is a constantly shortened work week. As a matter of fact, increasing "productivity" may well occur in conjunction with a decline in the output of the average man working one week or one year. Entirely too much is said about wages rising faster than "productivity"—or vice versa.

We must come to grips with these questions without delay or pay a heavy penalty in the years to come.

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*Continued from page 7*

# How Much Real Sovereignty Will There Be in Canada?

The value added, per employee, shows a similar disparity. The United States branch plant average is $8,500; that of the typical Canadian plant, more like $6,000.

You can be sure that the next generation of Canadians will be aware of these facts. If not, the larger corporations will soon bring them to its notice. In the United States, as well as in Canada, it is the larger, highly organized companies which are usually recruiting at the university level. Talking confidently about extensive laboratories, market research, well - established pension funds and a career here, there and everywhere, they invariably attract the cream of the crop. A growing proportion of our talented young scientists, engineers and commerce graduates are drawn into the United States firm's orbit in this way. Politically, they may have some ideas. But as practical Canadians, they will not speak out too vociferously against those who own and control their very means of livelihood.

Rather than dwell too much on the future, I would go back a bit. Let us recognize that the rapid rate of industrialization which Canada has experienced during the last several decades seems to lie at the heart of her foreign ownership problem. Had it not been for this relatively rapid growth, we Canadians would not have had to call, to the same extent, upon others for such large aggregations of capital, special skills and managerial abilities. Manufacturing and the resource industries, in particular, have been special areas in which foreign capital has particularly been welcome.

The contrast between the structure of the Canadian economy now and at the turn of the century helps us to understand our present pattern of international indebtedness. The decline, relatively speaking, of agriculture, is symbolic of this change. Only about 15% of our labor force is now employed on our farms, as compared to one-third as recently as 1930. It was to a predominantly agricultural economy that new capital came to build our railways and equip our factories in the years prior to World War I. To a large extent, they were financed by government borrowing and were not in the form of equities — holdings which could exert a lasting control over the productive assets of the nation.

### Contrasts Nature of Claims

Foreign investment in that earlier, classic period differed in form from the capital inflows of more recent times. Then, outside investment was helping to develop the western prairies—a vast new resource which was to be exploited by individual, residential proprietors . . . the wheat growers. This exploitation created new wealth by producing a commodity which was to be the leading source of Canadian international credit for more than a generation. True, the non-resident capital invested in railways and government and municipal bonds laid other claims upon income. But these were, for the most part, fixed charges, the relative burden of which was reduced, in the long run, by rising prices or by the reorganizations which accompanied the changing business fortunes of the railway-building era.

The important thing to remember about that earlier period of heavy investment is that the non-resident investor was not automatically getting an equity in the new resource that was being created. Then, the new productive resources were still becoming the property of Canadians. Now, however, we are experiencing a great expansion of our resource industries in which non-residents have an important proprietary interest through the companies which they control. Besides, they have a claim upon future income. In the corporate society in which we live, an industrial company is a unit with extensive powers and privileges which give it both longevity and a continuing ability to grow.

It would, therefore, be a mistake to describe the changes of the last half dozen years or so as a throw-back or reversion to the characteristics of an earlier era of rapid Canadian growth. Non-resident concerns have always played a prominent part in Canadian industry; but the more conspicuous economic developments financed by non-resident capital in those earlier periods were of the character of public utilities or other services. Some of them, of course, were controlled from abroad. But most were financed through sales of bonds; assets which had a definite life, and which sooner or later could be paid off or retired by later generations of Canadians.

There is no clear-cut parallel in the United States. When your country was a debtor nation, much of the non-resident capital was also going into railways, other utilities and government and municipal bonds. Direct investments in industry formed only a relatively small part of the total inflow from Europe. This increase in foreign financing also occurred in a period when local entrepreneurs were already assuming the initiative in manufacturing and other related industries.

### Era of Centralization

Then the ability of the corporation to operate numerous branch plants was much less highly developed than it is today. No one, 50 years ago, had ever heard of data processing. Techniques had yet to be developed for the digestion of large volumes of information in the electronic computer. "Operations research" had yet to make its impact upon the decision making process. And large industrial organizations could hardly look forward—as they do now—to an era of centralization in which extensive communications systems are the order of the day.[6]

The outlook would not be quite so frightening if it were not for two things. The big American corporations are getting bigger. At the same time, they are consolidating their positions, buying out one after another of our Canadian firms; companies whose names have been household words for as long as I can remember. For proof of my first statement I refer to data based on the U. S. Census of Manufactures entitled "Concentration of American Industry." It makes clear that the share of America's total output produced by its 50 leading firms rose from 17% in 1947 to 23% in 1954.

Meanwhile, that of the largest 100 companies rose from 23 to 30%.[7]

As authority for my second statement, I wish to quote *The Financial Post* — an excellent weekly published in Toronto. In its issue of Oct. 18, 1958 it lists the names of more than 50 large Canadian firms whose ownership has been transferred to U. S. account since the end of World War II. The total selling out to residents of all foreign countries was in excess of 100 firms.

These are fragmentary figures. Others can be used to give us a picture on a wider screen. Direct foreign financing made up about one-quarter of Canadian net capital formation in the years 1946-49. The proportion rose to about one-third in the period 1950-55. In 1956 and 1957 the ratio was more like 40%. Even this is not an historical high, since the share is estimated to have been around 50% in the late 1920's. However, it has given Canadians a good deal of food for thought. What if it keeps on? What if the shift from debt to equities persists?[8] What if most of this growth in foreign ownership and control continues to be in the United States? These questions, as you can well imagine, are being asked by Canadians in many walks of life.

Until quite recently, most of us regarded non-resident participation with a fair degree of equanimity. Certain events have, however, tended to show it up in a different light. In 1956 the then Liberal government proposed to support, by way of loans and other guarantees, the construction of a natural gas pipeline from Alberta to Ontario and Quebec. It was to be the longest in the world; and the most expensive. But — you guessed it — the line was to be largely U. S. owned and controlled. The fact that Parliament approved the legislation is of little moment. Of much greater consequence is the feeling of foreboding which the debate conjured up in the minds of my fellow countrymen. Some say that this — more than any other issue — brought the Conservatives to power in 1957.

### Stirrings Over U. S. Political Influence

Once alerted, our press has been quick to identify other points of friction. There was the example, last year, of the Ford Motor Co. of Canada passing up an opportunity to sell passenger cars to Communist China. The Aluminum Co. of Canada also hesitated to do business because of Washington's stand on "strategic materials." And now we have the U. S. Department of Justice getting after Canadian subsidiaries for doing things in Canada which are, in fact, permitted by Canadian law. The Canadian Minister of

6 See "Management in the 1980's," *Harvard Business Review*, November-December, 1958.

7 See: "Concentration in American Industry," Report of the Subcommittee on Antitrust and Monopoly to the Committee on the Judiciary, U. S. Senate, 85th Congress, 1st Session, U. S. Government Printing Office, Washington, D. C., July 1957; and M. A. Adelman, "A Current Appraisal of Concentration Statistics," a paper presented at the American Statistical Association meeting, Sept. 11, 1957.

8 In 1926, 43% of all foreign long-term investments were in the form of equities. By 1955, the ratio had risen to 70%.

Justice put the latter issue into perspective when he said:

"Such cases appear to illustrate a tendency, apparent in the field of foreign affairs as well as of anti-trust, for United States authorities to regard foreign subsidiaries of United States parent companies merely as projections of United States trade and commerce and thereby subject to United States policies in priority to the laws, customs, and interests of the countries in which such subsidiaries are incorporated and carry on business.

"Our specific objections to an action such as this are threefold: That it is concerned not so much with strict compliance with actions in Canada of Canadian companies whose actions are in accord with Canadian laws and Canadian commercial policy; that compliance with the decree sought may bring these companies in Canada into conflict with Canadian laws and/or policy; and thirdly that the only way effect could be given to such a decree is if American directors of U. S. companies give instructions to directors of Canadian companies to do something in Canada which is not in accord with Canadian business or commercial policy but is dictated by American policy. Nothing could more clearly illustrate the objectionably extra-territorial effect of the action taken."[9]

**Canadians Want to Change the Rules**

Little wonder that Canadians have begun to think about changing the ground rules. They would like to see greater stock participation by Canadians in foreign owned enterprises. So, why not require that they sell some part of their stock in Canada. They would like to see more Canadians in top management positions and as directors. So, why not demand that more key positions be filled in this way? And they would like to know more about the operation of these firms in Canada. So, why not require them to publish financial statements similar to those supplied by publicly owned Canadian companies?

Each suggestion, as stated, seems logical enough. But there are counter arguments as well. During the remainder of my paper, I will try to give you both sides of the picture—one as seen by the would-be independent Canadian; the other as seen by the business manager of a large, internationally owned corporation.

**Counter-Arguments**

Three out of every four subsidiaries of foreign owned companies operating in Canada are wholly-owned subsidiaries of their U. S. parent companies. They do not now sell — nor have they ever made available to the public — stock in their Canadian operations. Canadian criticism is founded upon the premise that, when a company is domiciled in Canada, uses Canadian resources and enjoys the protection of Canadian laws, it should allow Canadians to participate in its direction and receive some of the profits which it makes. Their stand, perhaps, implies that if all ownership and control is vested in foreigners, a corporation could act in a manner which is detrimental to the best interests of Canada.

Most Canadians will admit that an investment in the stock of the U. S. parent company is likely to be more secure. The latter, unlike its Canadian subsidiary, may often be producing a greater variety of products. Having its principal markets in the United States, it is also less subject to the vagaries of international trade. It may be helped rather than hindered by such discriminatory policies as are instituted in Washington.[10] And, if it produced munitions of any kind, it has a real advantage over its Canadian branch when it comes to obtaining orders for defense. Any Canadian corporation which has tried to obtain a prime contract of any size from the United States Offices in the Pentagon will attest to that!

Others argue that much of the stock in a subsidiary operation, even if it were first offered and sold in Canada, would quite likely end up on the other side of the International Boundary. Purchased initially by Canadians and held until some profit was realized, it might well find its way, through the usual trading channels, into the United States. Cases can be cited in which companies have reserved a sizeable percentage of their stock for Canadian participation. In a matter of months, a large part of the Canadian isue had made its way into United States portfolios. Let's face it! Canadians, on balance, have been disposing of their equity holdings for years. Hence, some say that the only predictable result of a Canadian stock issue is to complicate management's problems.

Complicate is probably the right word. One must always make a choice between the short and the long term point of view. United States owned corporations entering Canada for the first time tend to look upon their investments either as speculative or as designed to pay out (albeit handsomely) after a goodly number of years. It is often their practice to plough back their Canadian earnings into the business.[11] Early profits are reinvested in exploration and development, or in new plant and equipment, rather than repatriated, as they are earned, to the United States. Such a policy, were it to be followed by an autonomous Canadian subsidiary, would probably encounter opposition from some of its shareholders. Should the yield be substantial, owners of the subsidiary's stock might demand larger dividend payments. If they were successful, they would reduce the volume of marketable resources and other physical assets being created in Canada.

The further complication which could arise is in respect to pricing. Imagine a United States owned subsidiary selling raw materials to its parent in the U. S. Imagine, also, a situation in which there is no open market for these products. What price does it charge? Does it price at cost? Does it try to maximize profits in one country and minimize them in the other? Or does it split the

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9 Extract from Notes for an Address by Hon. E. D. Fulton, Minister of Justice, to the Antitrust Section of the New York Bar Association, New York, Jan. 28, 1959, published in *The Commercial and Financial Chronicle*, April 2, 1959, pp. 20, 26-27.

10 On bids from Canada, the duty is added for purposes of determining the lowest tender. Then there are the surplus labor area regulations and the "small business" rule. If a company with a plant in a part of the United States designated as having surplus labor enters a bid that is within 20% of the low bid, it is given a chance to revise its quotation. Again, in most U. S. military agencies there is an individual whose sole job it is to review all projects and decide whether any part could be handled by small businesses. If he so decides, then only firms in the United States with less than 500 employees are allowed to bid.

11 At least as much is being "ploughed back" ($400 million a year) as is being paid out to U. S. citizens in the form of interest and dividends.

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# How Much Real Sovereignty Will There Be in Canada?

difference? Under these circumstances, a well organized group of Canadian shareholders could make a nuisance of itself. As a Canadian, I rather hope it would. But "arms length" trading may be an old fashioned concept. In any case, the trend is away from the open market and towards long term parent-subsidiary agreements which, at least, help to stabilize the volume, direction and nature of our international trade.

**Tax Concession Incentive**

The Gordon Commission, in its Final Rejort,[12] makes the point that Canada should not discourage foreign capital "by unfair discriminatory action." Any such measure, the Commissioners say, "would damage our national reputation for good faith and fairness in dealing with foreign investors who have placed their capital in Canada and could well result in a slowing down in the fate of . . . our economic activity and expansion." Hence, the notion of providing incentives — probably achievable by means of relatively minor tax provisions — seems to offer a more fruitful area for action. By allowing tax concessions to subsidiaries which are willing to sell an appreciable amount of stock in their Canadian operation, the Canadian Government would be proceeding along these lines.

At one time, United States citizens occupied most, if not all, of the positions of responsibility. This situation, which has been criticized repeatedly in the Canadian press, is changing. More Canadians are being named to top management posts and more Canadians are being invited to join the boards of directors of the larger, United States owned corporations. Already about half of the presidents of United States subsidiaries are Canadians. Counting the four top positions in each corporation, i.e., president, general manager, secretary and treasurer, the ratio is closer to 60%. It may also be of interest to note that 40% of the subsidiaries report to one or more "outside" Canadians on their directorates. The significance of the "outside" Canadian is that, not being an employee of the corporation, his is more representative of the Canadian viewpoint.

It is known, for example, that the management of General Electric in Canada is an all-Canadian group. General Motors has a Canadian president. Dow Chemicals, with 1,500 employees, has only one United States citizen among its executives. All of Chrysler's top management are Canadian. Standard Brands has invited Canadians to serve on its Board. Procter and Gamble, Metropolitan Life, Gulf Oil and others appear to be following suit. Some corporations with American presidents have had Canadian presidents in the past. There is no clear cut pattern, but nationality does not seem to be a major factor dictating the choice of one man as opposed to another.

**Other Complaints About U. S. Business Policies**

There are three other complaints about business policies laid down in the United States. They relate to exports, research and corporate giving. As for exports, many Canadians feel that a policy which suits the "whole company" may unduly limit production by its Canadian subsidiary. They know that, through the efforts of the Canadian Government, they will be helping companies in their export promotion. Yet, when a Canadian trade commissioner finds a market abroad for a product which can be made in Canada, the United States subsidiary refers the tip back to its parent company. Often it is the home and not the branch plant which fills the order.

United States firms certainly do most of their research in the U. S. Certainly, little of a fundamental nature is done by their Canadian subsidiaries. This, so the argument goes, keeps Canadians dependent upon United States designs and, at the same time, draws Canadian scientists into the United States. The critics, as you may imagine, have difficulty finding any argument of an economic nature which will prove conclusively why this should not be so.

On corporate giving, Canadian executives say that, while these subsidiary companies usually give at least their share to conventional charities, such as the Red Cross, they often refuse to give anything to university fund-raising campaigns and other cultural purposes. The reason given is that the parent company does not follow this practice in the United States. What they fail to recognize, claim Canadians, is that cultural giving is more of a corporate function in Canada. Also, when a large and identifiable segment of the community refuses to cooperate, this is bound to create ill-will.

**International Labor Unions**

I cannot leave this subject of foreign ownership and control in Canada without making some reference to the activities of the international labor unions. Local branches in Canada often look to their union headquarters in the United States. The international headquarters provide research and other facilities, and in many cases are empowered to approve or disapprove strike action decided upon by the locals. This is not to deny that the Canadian locals and their Canadian directors enjoy a wide measure of autonomy. Nor is there much evidence to suggest that the international organizations exercise their authority in such a way as to be detrimental to Canadian interests. It is, perhaps, also significant that the charter of the Canadian Labor Congress includes a clause to the effect that it is an autonomous organization.

During this rather lengthy reading, I have spent most of my time referring to such industry . . . "big industry," if you like . . . as is dominated by foreign capital. Passing reference was made to "big labor" in the form of international unions. To complete the triangle, I should introduce "big government." Most firms have been increasing in size. So have the labor unions and so has government at all levels. Canadian industry may, to a large extent, be passing into foreign hands. Canadian labor, though influenced from outside, may be more independent. Canadian Government, at the other extreme, will continue to be selfishly Canadian. These forces may oppose each other at times. Their resolution, in any case, will largely determine the future character of the Canadian nation.

Some things can be envisaged. One to contemplate is inflation. As long as our respective governments succeed in maintaining a high level of employment, wages, costs and prices will continue to rise. This puts a premium on equity holdings. We in Canada will therefore see the foreign owned corporations even more firmly entrenched in the driver's seat. Nor does our government, as you probably know, levy a capital gains tax. Under these circumstances, the real assets held by United States corporations are bound to increase relative to those in purely Canadian hands.

We are not likely to encounter slumps and booms like those which followed each other in swift succession in the 19th Century. Corporations are, henceforth, less likely to come crashing to the ground. Canadians are no longer in the advantageous position of being able to bide their time and then pick and choose among the pieces. We gained control of a good deal of railroad mileage in that way. But I don't see the same thing happening when it comes to our newer oil and gas pipelines.

**How Much Real Sovereignty?**

Technology is ever on the march. The race, then, will continue to go to those who are leaders in the basic and applied sciences. Only when we have unique problems in Canada are we likely to be in the running. By that, I mean resource development. But who will be developing our resources? Often, it will be the same internationally connected firms whose major markets are in the United States. Market contacts are essential to financing. Most financiers want to know what the problems are in advance. They are already in the habit of gathering their engineers and market consultants about them. Why chase all the way up to Canada to solve a problem when so much advice is already available or at hand? Economists might answer, "Why, indeed?"

Notwithstanding the many economic advantages flowing from U. S. direct investment in Canada, the past few years have seen the development of a deep, though intangible, sense of disquiet over the social and political implications of the increasing foreign ownership and control of Canadian industry. Canadians in my opinion, might well ponder the question as to whether a country can have a meaningful, independent existence in circumstances where non-residents hold title to most of the means whereby it earns its livelihood.

12 "Final Report," Royal Commission on Canada's Economic Prospects, November, 1957.

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# The SEC, the Amateur and Financial Press: 1929-1959

second, what can the Commission do to avert such a contingency.

The fact that such questions can be asked is enough to raise doubt whether the public and even the press have not come to take this Commission for something which we are not and to expect accomplishments of us which we cannot perform and were never intended to perform. To begin with, the Commission cannot, and I doubt whether anyone else can, regulate or control the powerful, fundamental forces which operate to cause major market movements. We have in this country what is essentially a price economy. One of the distinguishing characteristics of such a system is the inevitability of price fluctuations, based in large measure on the freedom thereunder of the citizen to do or not to do things which may cause commodity and security prices to move up or down.

Indeed, it is often helpful to recall that the price level at which a security sells is not reflective of any intrinsic values. There is no value in the piece of paper representing a share of stock, nor in the share itself except insofar as it is an aliquot portion of a going and profitable business. There is a self-evident value in a bushel of wheat, a ton of steel or a bale of cotton. However, the value of a share of stock of a corporation dealing in or producing or using one of these commodities fluctuates, not with the value of the commodity, but with the profitable use to which the corporation can put its assets or the value it can realize upon their sale. It is substantially true that the stock market reflects the economy, but it is not necessarily true that every price movement reflects a considered judgment based on sound economics.

On the other hand, while it is perfectly obvious that we cannot and do not possess a magic wand which will prevent gyrations in the stock market averages, it is equally clear that, under the Securities Acts, when the market averages do advance or retreat, they do so free of the sinister influences which, in an earlier day, caused distress and tragedy in countless thousands of homes and business establishments.

**Pre- and Post-SEC Days**

Many of you today can recall vividly the period through which we passed 25 to 30 years ago. Others, however, may be of another generation and may not remember the time when there was no SEC. It is sometimes difficult to convey to those who did not live through these times a vivid picture of the financial practices which caused the Securities Laws to be passed, and effectively to describe the differences between the securities markets then and as they have developed in the intervening period. Every new Commissioner and every staff man must, of necessity, be a practicing student of financial history and one of his most important tasks is to evaluate the modern scene in terms of the situation as it existed in the 20s and as it has evolved in the 25 years of our being. If I can convey just a little of this perspective, perhaps it will be easier to explain and describe to the public, the nature and significance of some of today's kaleidoscopic financial events.

It is doubtless quite natural for an observer to remark that the Dow-Jones Industrial average has recently reached over 660 as compared with 386 in 1929; that the activity in brokerage offices and the statistics from the exchanges suggest that the man in the street is again coming into the market in large numbers and at high prices; that there seems to be a speculative fever in the air; that the prices of certain glamour stocks would hardly suggest a bargain sale and he may be pardoned if he wonders whether this is 1929 all over again.

The economists are quite capable of drawing their own conclusions as to whether or to what extent our economy and the activity in today's stock market are but lengthened shadows of that distant time. Opinions can differ as to what factors operate to cause price collapses and whether prices and volume are causes or effects of activity or stagnation. These are matters of endless debate, and I don't propose to join the argument. The matters I am about to mention are not open to debate; they are hard, existing, continuing, effective facts and conditions. One may place his own valuation on them, but he cannot ignore them. We are privileged to believe that not enough has been done, but we cannot deny what has been done.

**Disciplined Capital Market Industry**

First, let me point out that the securities industry, comprising the stock exchanges, the underwriting houses, the brokers and dealers and the other elements of the capital market is now a disciplined industry. This discipline is in some measure imposed by law but, what is more important, a very great deal of it is self-imposed. Because of this fact, it is more effective and pervasive than it might otherwise be.

Prior to 1934, many of the operations in the exchange markets could hardly be described as being in the public interest. No one could be sure that prices in these markets bore any relation to values or reflected the impersonal forces of supply and demand or, what was more serious, that the exchange rules were designed to produce any such results. In fact, it is now clear that many highly artificial forces were at work. For example, during 1929 the prices of over 100 stocks on the New York Stock Exchange were subjected to manipulation by massive pool operations. In the classic situation, the operators of such a pool would arrange for a source of supply of a security, usually through options, and then by concerted group action create activity and interest in the stock in order to unload the syndicate holdings at a profit upon the public which had been attracted by the activity. Floor traders and specialists roamed freely and without supervision on the floors of the exchanges and participated without restriction in pool operations. Bear raiders periodically barraged the market with short sales in order to accentuate price declines. Listing requirements were minimal and the data given in listing applications were indifferently investigated. Administration of the exchanges was lax; their rules apparently ignored or even contemplated the existence of manipulative activities.

In the intervening years, the exchanges have developed a sense of public responsibility; they have adopted rules restricting the activities of floor traders and specialists; listing requirements have been made more rigid and periodic certified financial reports have been required; excessive trading by members has been restricted; rules adopted by the Commission have taken the sting out of short selling. Under the Exchange Act, manipulative pool operations are prohibited, as are wash sales, the dissemination of false or misleading information and other devices for rigging the market.

The major exchanges at least have demonstrated that they are conscious that they are institutions vested with a public interest. They are obviously acutely aware of the danger to which they would be subject if the public were to suffer serious loss due to improper functioning of the exchanges as institutions or due to improper conduct by exchange members. They understand that the destruction of confidence of investors in the integrity of the securities markets which would follow such a contingency would be disastrous to our national economy and to the financial community of which they are a part, and have specified procedures and adopted rules to guard against abuses. I do not mean to say that the exchanges and the S.E.C. do not still have their differences of opinion or that the Commission does not continue to exercise close surveillance over the markets or that there is any atmosphere of complacency in the relations of the S.E.C. to the industry. I think the exchanges would hasten to cite book and page to the contrary. What I want to emphasize is that the wholesome respect of the ex-

changes for the power vested in the S.E.C. by the Securities Acts has resulted in a self-discipline far more rigid than that which I think the original draftsmen ever contemplated.

In the over-the-counter market, the National Association of Securities Dealers has become a powerful force for the establishment and maintenance of standards of good business conduct. Membership in this organization carries with it very valuable privileges in the over-the-counter market and in the underwriting business. It exercises a discipline over its members which is no empty gesture. Members may be, and are fined for misconduct or expelled or suspended for cause, and are subject to rules adopted to promote fair competition and to protect the public from unfair practices. I am willing to concede that the activities of this organization may be said to serve an enlightened self-interest, and that here again, the S.E.C. does not always see eye to eye with the trade in all details nor have we hesitated or will we hesitate in the future to take appropriate action if the occasion appears to demand it. The fact remains that the existence and self-discipline of this industry group have been and will unquestionably continue to be potent forces leading to the prevention and elimination of practices which were in some measure, at least, responsible for the underlying weakness of the pre-S.E.C. market.

**Regulating Stock Market Credit**

In the second place, as you know, the bull market of the twenties involved the use of large volumes of credit to finance speculative activities. Call money rates in 1929 were as high as 20% and credit poured into the stock market from all over the country. Brokers' loans rose from $1.9 billion in 1922 to a peak of $8.5 billion in October, 1929. Industrial corporations even found it profitable to issue securities in order to raise funds destined to be thrown into the call market. The machinery for supplying credit for securities transactions, in which process banks supplied funds to brokers, brokers carried their customers and gave back their customers' collateral to the banks, was driven at a dizzying clip by the mirage of quick, easy and riskless wealth. Speculators ignored the fact that the yield of the securities purchased on margin was far less than the interest on their debit balances with their brokers. There were no limits save the prudence of the broker, which was sometimes debatable, to the amount of margin that was required of a speculator. The expectations of capital gains overshadowed the present economics of the transaction. Drawn into the market by the vision of pie in the sky, margin customers assumed positions to protect which they had insufficient liquid resources. The impact of a relatively small decline in prices under these circumstances was disastrous. Sales on margin calls depressed prices, causing more calls and more selling pressure. It was not a pretty sight, nor was there any control over it under the then existing exchange practices.

Under the Securities Exchange Act of 1934, this machinery for creating stock market credit is subject to strict regulation through margin requirements established by the Federal Reserve Board. Ever since the adoption of the Act and at the present time, cash requirements so established largely prevent the use of credit to support a speculative orgy. Brokers' loans at present in a far larger market run to about $3 billion. There is no longer any serious danger that a surge of cumulative margin calls will force liquidations and accelerate declines. Speculation must now be largely financed through cash rather than credit, and if the customer does not have substantial cash in his jeans, he cannot join in the party.

**Verifiable Financial Facts**

In the third place, there was a time when an underwriter about to offer a new issue for sale to the public could get and issue a statement of financial condition of the issuing company only if and when the management chose to release one. There was a time when the press could find out about a company and its operations only what the company chose to divulge. The affairs of corporate management such as their ownership of securities, their compensation and transactions between management and their companies and affiliates were withheld from stockholder or public scrutiny. In those literally dark ages, information supplied by an underwriter or an issuer was not susceptible of any reasonable verification simply because no one could be compelled to tell the whole truth. Furthermore, when a new issue of securities was to be sold, it broke on the market with an instantaneous force. No time was allowed for investors, analysts or salesmen to study what little financial data might be released. There was intense pressure to sell the securities at once.

In today's market and under the Securities Acts, no significant industrial, commercial or utility financing can take place until all important aspects of the company and of the proposed transactions are laid open to leisurely public scrutiny. All but a few important publicly held corporations are required promptly to file with the exchanges or with the Commission or both, and thereby to make available to the public press, a report of every major business event which will materially affect its balance sheet. One interesting result of these provisions is that financial editors are given a voice of authority and a tone of conviction such as they had never previously possessed.

There is no way to measure the direct and indirect effect of the various provisions of the Securities Acts which do not attempt to regulate the mechanics of the financial markets but rather direct that the truth, and all of it, be told to investors and to the public. We know that many a deal has died aborning or has been hastily snatched back and reformed solely because its proponents came to realize that they were going to have to submit the full and true story to public scrutiny and analysis, and this they were unwilling to do. We know that many an issue was eventually realistically priced only because the story which the law requires to be told would have made it impossible to sell the issue at an inflated price.

Overcapitalization, watered stock, weird capital structures, bewildering securities rights, the use of corporate funds for improper and noncorporate purposes, abuse of corporate powers, practically all the sins in the corporate decalogue can still be committed under the Securities Acts, if the sinner is willing to stand in the market place and loudly and publicly announce that he is about to commit them. The fact is that few sinners are willing so to do, and the necessity for disclosure noramlly prevents the abuse.

In this process, the presence and functions of the press are a potent factor. It is not merely the requirements imposed by law for the filing of a document with the Commission in Washington or with the exchanges which accomplishes this financial dry cleaning. It is the fact that all this information is openly available to the public press, the knowledge that the press will comment, criticize and discuss the corporate facts of life so displayed, and that the wider audience thus reached will be advised of the advent of sin, which in many cases gives real meaning to the legislative scheme. There is little doubt but that the press has thus been made a real and cogent instrument of corporate reform, and has accomplished a real public service to businessmen and to the public investor.

From another point of view, however, such voluntary reform as may thus be effected is only a side effect of the disclosure process. The primary purpose of the Securities Act, after all, is to place it within the power of both the seller and the buyer of securities to know what they are doing. A single issuer or an occasional issue may now and then successfully deceive the securities industry and the public, but it is highly improbable, if not impossible, that a whole industry can today flimflam the country as, for example, did the electric and gas utility industry a few decades ago. Nor is it now possible, against this background, for manipulative pool operations to be carried on in the old, grand manner.

**Certified Financial Statements**

As a fourth consideration, let me recall that there was a day when an issuing company could and as likely as not did bring out a new issue without subjecting its books to the audit of an independent accountant, and also when, even though management did condescend to employ an accountant, the issuer was under no obligation to follow his recommendations. One may read the results in the reports of the various investigations as the result of which the Securities Acts were passed. In many instances, the financial statements upon the basis of which the public was asked to advance its savings were replete with concealment, double talk and downright falsification and when management deigned to publish earnings statements and annual reports, it was a fair bet that the truth was not in them.

Things are quite different today. The Securities Acts now require the production of adequate financial statements and insist that these statements be certified by an independent public accountant. This, more than any other single influence, probably has revolutionized business accounting and reporting. These provisions gave the accountants an essential voice and authority in corporate matters. The American Institute of Certified Public Accountants has accepted the responsibility thus thrust upon it and has introduced and enforced high-minded concepts of independence, proper accounting practices and sound accounting principles. The issuer can no longer safely ignore the advice and recommendations of the accountant. No longer can he forthwith discharge the honest accountant and consult another in the hope that some fundamental problem can be avoided by different accounting treatment. Sound accounting principles have been evolved by the profession and accepted as standards which must be followed by its members. These procedures and policies have produced a quality of financial reporting and a sense of public responsibility not exceeded anywhere in the world, and have made it improbable that economic reverses will result in uncovering any substantial inherent weakness in corporate finances.

As another consideration to be taken into account in seeking the answers to the questions which have been put to me, let me point out that there are other disciplines now operative in the financial market, which are of major significance though largely unknown to the public generally. Important among such vehicles are some of the trade organizations. Contrary to the general impression, these groups were not formed, and do not exist for the sole purpose of holding periodic conventions, the expenses of which are deductible items on corporate earnings statements. I have found them to be surprisingly sincere organizations of skilled technicians who are deeply interested in pooling their experience and knowledge. Some of the principal groups with which we are in continual contact are the American Society of Corporate Secretaries, the Controllers Institute of America, the National Federation of Financial Analyst Societies, the American Management Association, the Investment Bankers Association and the National Association of Investment Companies.

This aspect of the work of these organizations has a deep significance, although it does not produce the stuff of which headlines are made.

Here, as elsewhere in our relations with the people who operate under our jurisdiction, our points of view may and often do differ, but also here, as elsewhere, there has generally been an informed and reasonable attempt to adjust industry practices and standards so that they may be consistent with the interests of investors and the public. With the blessing of the S.E.C., there has, throughout the years, been a vast improvement in corporate reports to stockholders, in stockholder relations, in the quality of the proxy material submitted to security holders, in the honesty of the sales literature used by investment companies, in sound accounting practices, in clear exposition of corporate policy and in the creation of an atmosphere conducive to warm investor reception of American securities as investments and American industrial corporations as sound economic institutions. The open discussions in forums sponsored by organizations such as I have mentioned are the very antithesis of the organized deception and deceit which at one time accompanied the fantastic operations of the securities markets.

**Power to Deter and Punish Misconduct**

The sixth facet of the modern market to which I would like to call your attention hinges on the existing persuasive deterrents to violations of the Securities Laws. Their presence in the statutes, and the activities of the Commission and of the courts in applying them, have for many years served to impose upon the deliberate wrongdoer and the irresponsible adventurer some important sanctions in case of misconduct. The result has been to take out of the present market a number of morally or financially unreliable operators in securities and to expose to severe penalties those who may be tempted to make hay in any kind of a disorganized market.

The Securities Act contains civil liability provisions which place personal responsibility on management for acts which individuals at one time might have safely assumed would have been concealed behind the corporate shield. The statutes permit civil actions in such cases, which are not defeated by jurisdictional limitations of the State courts. Sellers of securities are now exposed to actions unknown or most difficult to maintain under the common law. The touter has not the freedom he once had to practice his art. When the insider gains some secret information and seeks to take personal advantage of it by purchase or sale of his corporation's securities, he must disclose the transaction. Confession thus made is under some conditions an invitation for a stockholder to bring suit to recover any profit for the benefit of the corporation.

All the Securities Acts provide for criminal liabilities which have been resorted to on many an occasion to incarcerate the fraud and the cheat.

But more effective, I suppose, than any of these sanctions is the power given to the Commission to investigate, to publicize, and to comment upon actions and practices in various types of administrative proceedings. The powers which we have to suspend the right to sell an issue of securities, to revoke the right of a broker-dealer to engage in business, to suspend or revoke the registration of a security on an exchange, to suspend trading in a listed security, to apply for an injunction against prohibited conduct, all these powers place in the hands of the Federal Government a strict control which never before existed. As I have pointed out, however, in the last analysis these are residual powers and remedies. The informal disciplines which I have described and which reflect an intelligent self-control often render direct government intervention unnecessary.

**Warns Press Being Used As a Tool**

Finally, as must be obvious by now, since our statutes rely so heavily upon disclosure and publicity, the various media of publicity play an essential part in the preservation of orderly, sensible markets. In a very special sense, the press has a responsibility to avoid becoming the unwitting tool of those who, by tip and rumor or by untimely publicity, hope to use its columns for their

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own profit and advantage at the expense of an uninformed or misled public. The SEC is anxious to avail itself of every means by which it can educate the investing public in the dangers of indiscriminating investment, whether in the market or outside, and it has gone to some length in this respect in the past. It has recently completed negotiations under the auspices of The Advertising Council as the result of which material will be made available for use by TV stations this Fall. We have great hopes for the success of this program.

In comparing the pre-SEC market with the present one, I hope I do not appear to consider, with Candide, that all is for the best in the best of all possible worlds. We have our multitude of difficulties and problems. Nor are the Securities Acts examples of flawless legislation. In fact, we are currently engaged in a program contemplating extensive amendments to them. Nor can we always be sure that every security transaction is effected without any deceit and after full and frank disclosure. In the very nature of things, only a sort of rough justice can eventuate even under all the safeguards I have described. Nevertheless, it is clear that the situation today is essentially different from that of 25 years ago, and what was true then is by no means necessarily true now.

I have made no reference to any power which we or any other person or agency might exercise to prevent a citizen from using his own judgment as to how and when he may convert his cash or other property into securities, or vice versa. Nor have I made any reference to any power to advise a citizen that he must or should do one or the other or that one security is better or worse than the next one. I would expect that a suggestion that we be authorized to exercise in this manner some sort of a paternalistic oversight would rouse a violent opposition, to which I would be hard put to advance any reasonable defense. Yet, implicit in the questions to which I referred and which have been put to me is the suggestion that we either have, or in some way should be seeking the power to exercise some control over the judgment of the American investor as to how he should manage his property or that we should be able to circumscribe his freedom to exercise that judgment.

### Wants No Control Over Price

In the ordinary course of our daily work, we observe the market action of a large number of securities. The timing and nature of some price movements may suggest the desirability of an informal inquiry designed to determine why and what influences are at work to produce such an action. For this reason, we keep an eye on price movements in individual issues and we try to determine whether some manipulative scheme is in process which would interfere with a free market. If evidence of manipulation is found, we take action as rapidly as possible. But supposing we find, as we very frequently do, that buy or sell orders have come into a fluctuating market from brokerage firms all over the country which orders are unrelated to each other and are obviously no part of any deep laid scheme concocted by anyone. Shall we then quarrel with the public appetite? Should we have the power to meddle with the free choice of the investor?

If a great segment of our populace becomes convinced that the only way to protect itself from the hazards of tomorrow's price level and the diminishing value of the dollar is to bid up prices so that the premium paid for the fancied protection begins to look like very expensive insurance, are we to say the collective judgment of those so spending their own money is wrong? And if the sentiment changes and the pressures come the other way, should there then be a greater duty to interfere?

Congress has, in the Securities Acts, given some important emergency powers to the SEC. The Commission may temporarily suspend trading in a specific security and it may, with the consent of the President, suspend all trading on any or all exchanges. Similarly, if the holders of the securities of an investment company suddenly decide to liquidate in dangerous numbers, the company may ask our permission to suspend payments for the protection of its security holders. In short, we do have some very limited emergency powers which are available in the face of a stock market panic. Whether we can or should be able to attempt to prevent a decline, even a serious decline, in market prices is another and, to my mind, a very doubtful question.

Before concluding, I think I should state what the Commission found out in a study which it made of the market break of Sept. 3, 1946. This was the last occasion offering data for a serious study of this nature, and covered a day during which stock prices on the New York Stock Exchange had their sharpest decline in nine years. Our conclusions are not very comforting to believers in the "devil" theory of market breaks, the theory that every such phenomenon is caused by some evil and malignant force or by some dastardly group of market operators weaving their nefarious schemes in the back room. On the contrary, we found no evidence that the overall market activity resulted from planned or concerted action by any group or groups of persons or that the activities of any of the participants in that market evidenced anything more than the interplay of opinions as to when to buy and when to sell. Short sales were an insignificant factor. No consistent pattern of trading was found among exchange members: some member groups were sellers on balance, others were buyers. Finally, we were unable to find any evidence of any sort of manipulative activity in that day's market.

I respectfully submit that Congress quite properly refused, in 1933 and 1934, to give to the SEC any paternalistic functions. I have my own personal ideas as to some of the values on the present market. I have already publicly expressed myself as to the sanity of amateurs who take speculative risks in the market with money they cannot afford to lose. They might just as well put up their money at Laurel or Las Vegas. I cannot visualize any legislation which would protect the American investor against a falling market, nor can I conjure up any reason why, or any mechanism by means of which Congress should try to build a ratchet into stock market prices which will prevent their decline. Prices have gone up, they have gone down in the last 25 years. In the presence of a free market, there is every indication that they will go up and down in years to come. However, for the reasons I have given, I am inclined to doubt that, in the absence of international catastrophe, we will see a repetition of the market of the early 30s.

Of course, I could be wrong.

*Continued from first page*

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budget in the fiscal year just ended stimulated employment and production but did not raise prices.

Contrary to orthodox wage theory, rising wages forced by unions on employers are stimulating spending and are helping the general recovery of business.

In the last seven years, the consumer price index (uncorrected for changes in the quality of goods) has risen not quite 8% refuting the claims that creeping inflation is impossible because the creep will soon become a gallop.

The ultimate responsibility for the tight credit policy of the Federal Reserve System lies with the pressure groups, especially the farmers and the veterans, which, by forcing large handouts from Congress, compel the Federal Reserve to fight inflation (and also expansion) with tight credit. A sensible budget policy is unlikely, but if by some miracle a sensible budget were obtained, the Federal Reserve could permit easier credit and more rapid economic growth.

### II. Production

The gross national product in the second quarter was at the annual rate of about $480 billion, up from an annual rate of $467 billion in the first quarter. But production increased more than final sales, and inventories accumulated in the second quarter at the rate of roughly $9 billion a year. Some drop in the rate of inventory accumulation is to be expected in the third quarter, but rising personal incomes due to wage increases will probably produce a rise in personal consumption expenditures. The gain in personal consumption expenditures, rising outlays for industrial equipment, and rising purchases of goods and services by state and local governments will suffice to offset the probable drop in inventory accumulation and produce a small gain in the gross national product in the third quarter over the second quarter.

In May, 1959, industrial production made an all-time high for the second successive month. At 152 (1947-49=100) it was well above the prerecession high of 147 of December, 1956. But the index of durable goods manufacturing at 168 barely surpassed the prerecession high of 167 in December, 1956. Mineral output gained, but is still below the annual monthly average for both 1956 and 1957, when it was boosted by the Near East crisis.

Of the purchasing agents responding to the survey of the National Association of Purchasing Agents, 46% report a May-June rise in production; 6% a drop; and the remainder no change.

Steel production operated at around 92 to 94% of capacity during May and the first three weeks of June. Wildcat strikes in the last week of June reduced the rate to 87.8% of capacity. In the first week of July (containing the July 4th holiday) operations were at 78.2% of capacity (partly the result of continued wildcat strikes), and for the week of July 6 operations at 83.2% of capacity were scheduled.

Automobile production in June is estimated at 560,000, the highest June output since 1955. Dealers are protected against a steel strike by inventories of 900,000 cars, equal to the previous high of 900,000 in May, 1957.

New construction, after adjustment for seasonal factors, continues to show little change. Indeed, the movement of new construction has been horizontal ever since last December and in June new construction was about the same, after adjustment for seasonal factors, as during the previous six months. The government reports fail to call attention to the leveling off of construction.

### III. Employment

Employment increased by 1,326,000 between May and June 1959 — about the usual seasonal gain for this time of year. Unemployment increased also—the usual result of the influx of young people into the labor market at the end of the school year.

The increase of 593,000 in unemployment was the same as a year ago, but greater than the May-June rise in earlier years. Unemployment continues to run larger than in earlier prosperous years. Unemployment in June was 645,000 greater than in June, 1957, and 1,055,000 greater than in June, 1956.

### IV. Personal Income

In May, 1959, personal income made an all-time high for the fifth successive month, rising to the annual rate of $376.2 billion, or 7.1% above May, 1958.

Personal income has been one of the most important and most interesting of the economic series throughout the recent recession and recovery. It has regularly exceeded estimates in recent months, including the estimates used by the Treasury in making budget estimates for 1959 and 1960. To some extent, changes in personal income simply reflect other changes in the economy, such as changes in the volume of employment. But this is not entirely true. Personal income also reflects changes in the price of labor, and is the way that wage increases negotiated by trade unions increase the amount of spending in the community. Orthodox wage theory holds that wage increases forced by trade unions on unwilling employers in the early stages of recovery limit the expansion of business by limiting the amount of labor employers are willing to buy. But this analysis by orthodox wage theory is in error because it is incomplete. It overlooks the fact that the demand for labor under most circumstances is inelastic so that higher wages lead to larger payroll disbursements. The larger payroll disbursements by wage-increasing firms are not entirely offset by cuts in non-payroll expenditures. Hence, the net result of the higher wages and larger payrolls is a gain in the total volume of spending in the community, and a stimulus to business.

The recent growth in personal income only partly reflects a greater volume of employment. To some extent it reflects an independent cause of business recovery—wage increases forced on the economy by sellers of labor.

### V. Retail Sales and Consumer Credit

Retail trade in June, after adjustment for seasonal factors, dropped 0.4% from the all-time high in May to $18.2 billion—the second highest month on record. Sales of durable goods, after adjustment for seasonal factors, increased 0.9% between May and June, but sales of non-durables dropped 1.1%. As compared with June, 1958, retail sales were up 9.7%; durables up 19.5%; and non-durables up 5.3%.

Consumer credit increased by an unusually large amount in May — by $874 million, or the largest May increase on record. The seasonally adjusted increase was $545 million, of which automobile paper accounted for nearly one-third. Repayments of installment credit are at a high rate—substantially greater than a year ago.

### VI. Contract Awards, New Orders, and Inventories

Building contract awards, which were at the annual rate of $39.0 billion in March and $39.2 billion in April, dropped to an annual rate of $37.3 billion in May—an April-May decline of 9.5%. The figures confirm the conclusion suggested in this letter last month that construction is leveling off.

Residential building awards in May were 25% above May, 1958. In April, the year-to-year difference was 47.6%; in March, it was 43.9%. All other principal categories of contract awards were below May, 1958.

Heavy engineering contract awards in the six weeks ending July 6 were 0.1% below the corresponding period of last year.

The two months of April and May have been an extremely interesting period for manufacturers' new orders, sales (deliveries), and new orders. New orders, after adjustment for seasonal factors, reached their peak in both durable and non-durable goods manufacturing in April, rising from $30.2 billion in March to $31.2 billion in April. But in May manufacturers' new orders dropped sharply from $31.2 billion to $30.3 billion — a high figure, but $900 million less than in the preceding month. New orders for durable manufactures and non-durable both behaved in the same manner, but most of the April rise and the May fall was in the new orders for durables. The National Association of Purchasing Agents reports an increase in new orders at a diminished rate in June.

Manufacturers' inventories continued to increase in May, but at a considerably diminished rate. The March-April increase in manufacturers' inventories was $800 million; the April-May increase was half as large, namely, $400 million. On an annual basis that is a high rate of inventory accumulation.

Manufacturers' deliveries continued to increase, though at a much slower rate. The April-May gain in deliveries was only $200 million in comparison with a gain of $1.2 billion in deliveries between March and April.

As a result of the drop in manufacturers' new orders and the rise in deliveries, unfilled orders dropped — the first drop since September, 1958. There were no significant changes in wholesale or retail inventories between April and May. The rise in manufacturers' sales offset the effect of the rise in inventories so that for manufacturers there was no change in the ratio of inventories to deliveries. There were also no significant changes in the inventory-delivery ratios of wholesalers and retailers, as a study of the Table I shows.

All in all, the behavior of the figures on new orders and inventories for April and May are reason for optimism because they point to a moderate but steady expansion of business in the immediate future. It is obviously better to have the downward adjustment from the rapid build-up of inventories in early 1959 begin in May rather than in July. The fact that the downward adjustment began in May reenforces expectations that the level of the gross national product in the third quarter will exceed the rate

of output in the second quarter by at least a small amount.

### VII. Prices

Sensitive commodity prices have shown little change during the last month with a slight tendency to fall—in contrast with a slight tendency to rise during May. On May 28 the index was 88.2 (1947-49=100), and on July 2 it was 87.3.

The wholesale price index shows no significant change, though food prices are tending downward: (See Table III).

The respondents in the June survey of the National Association of Purchasing Agents report that "price increases are minor and there is no wave of inflation in any segment." For June, 32% report prices up; 65%, no change; 3%, prices down.

The consumer price index rose in May to an all-time high—124.0. The gain was only from 123.9 in April and represented practically no change for the last year. In May, 1959, the index was only three-tenths of 1% higher than in May, 1958. The outlook is for definitely lower meat prices—an important downward influence on the consumer price index.

Between April and May, 1959, all of the main categories of the index advanced. The stabilty of the index in the last year was made possible by a 3.2% drop in food prices—all other categories in the index have increased during the last year.

### VIII. Wages

Wages continue to rise slowly. The figures on wage increases are unsatisfactory. The coverage of the reports is incomplete, but there appear to be variations from year to year in the number of important contract negotiations. The year 1959 is one in which an unusually large number of important negotiations occur—oil, steel rubber, aluminum, cans, agricultural implements, and others. The number of workers receiving wage increases as a result of negotiations in the first quarter was 15% greater than in the first quarter of 1958 and almost double the comparable figure for the first three months of 1957. Only 1% of the workers affected by contracts negotiated in the first three months of 1959 had their rates unchanged. The size (per hour) of some of the negotiated increases was as follows:

| Amount | % of Workers |
|---|---|
| 15 cents and more | 6% |
| 13 to 15 cents | 25 |
| 9 to 13 cents | 20 |
| 7 to 9 cents | 23 |
| 5 to 7 cents | 20 |
| Less than 5 cents | 1 |
| No increase | 1 |

Wage increases are running the same as a year ago. Another to the Bureau of National Affairs, the median wage increase in wage settlements was 9.4 cents in the first six months of 1959 and 9.4 cents in the first six months of 1958. Wage increases up to the present do not seem to have lost any of their importance as a cause for slow long-run inflation in the economy, though in 1959 output per manhour seems roughly to be keeping pace with rising wages.

### IX. The Capital Markets

Money and credit continue slowly to become tighter. Throughout June the rate on 91-day bills was above 3%, reaching a peak of 3.283% in the auction of June 8, and dropping to 3.164 on June 29. On July 6 the rate was 3.266%.

Member bank net borrowed reserves were $495 million in the week ending July 8; $552 million in the preceding week; and $503 million in the week of June 17.

Bond prices drift slowly downward. The Dow-Jones index of 40 seasoned bonds was 83.04 on June 30, having been 83.78 on June 1 and 84.92 on May 4. A year ago on June 30, 1958, the index was 90.75. One must concede that present long-term interest rates are not adequate compensation for the hazards of owning high grade bonds.

New legislation boosts the interest rate ceiling on Veterans Administration insured mortgages from 4¾% to 5¼%.

The United States continues to lose gold in spite of a "favorable" trade balance. The gold loss is attributable to investments abroad and gifts.

Publicly offered bond issues (mostly state and municipal) dropped from $1.8 billion in May to $1.3 billion in June, but new public stock flotations rose from $78 million to $114 million for June. The backlog of corporate bonds and preferred stock issues awaiting marketing has been declining. It was $1.4 billion on May 7; $1.0 billion on June 4; and $984 million on July 2.

### X. The Budget, Inflation and Production

The year just past has seen the largest budget deficit in any so-called "peace-time" year. It has also seen as little movement of the consumer price index as one can expect—a rise of only three-tenths of one per cent in the twelve months May, 1958, to May, 1959. The same period saw a rise of 4.0% in demand deposits and currency and a slightly larger rise in total deposits plus currency.

Why did not this huge deficit, accompanied by an expansion of bank credit, produce inflation? Why did the warnings of Mr. Eisenhower concerning the inflationary effects of a huge budget deficit accompanied by an expansion of bank credit turn out to be in error? It is not enough to say that corporations saved the government from having to finance the deficit at the banks, because corporations as a whole have been heavy borrowers at the banks, and the money supply was growing. The reason why President Eisenhower and his advisers misjudged the consequences of the budget deficit is that the President and his advisers overlooked the consequences of rising output. Between the second quarter of 1958 and the second quarter of 1959 the annual rate of gross national product, expressed in dollars of constant purchasing power, rose from an annual rate of $430 billion to about $475 billion—a gain of 14%. This large gain of 14% in physical output is the basic reason why the huge deficit has not produced inflation.

Two elementary lessons to be learned from recent experience: (1) when there is abundant idle capacity, a budget deficit may stimulate production rather than raise prices; and (2) what was a wise budget policy (a large deficit) during the last twelve months, when there was plenty of idle capacity, will not necessarily be a wise budget policy during the coming twelve months when there will be considerably less idle capacity.

### XI. Is Creeping Inflation Impossible

During the last several years the country has been told again and again by economists and economic writers of great eminence that creeping inflation is an impossibility except for brief periods of time. The argument has been that the expectation of price increases is bound to produce an accelerated rise in prices, so that inflation is never allowed to remain at a creep. Here are a few of the opinions and arguments in which able and prominent economic writers assert that creeping inflation is impossible because inflation will not remain at a creep:

Neil H. Jacoby, "Thinking Ahead", *Harvard Business Review*, May-June, 1957, p. 23:

"The salient point is that mild inflation, which is deliberately sought or consciously tolerated by a nation, cannot be kept mild. As citizens come to know that their government is accepting, or even seeking, a slow but steady depreciation of the dollar, more and more of them will become aware that they are losing real purchasing power by holding insurance policies, savings bonds, bank deposits, and other dollar assets. Increasingly, they will bid up the prices of real estate, commodities, and equities. What began as 'creeping' inflation will become 'running' inflation".

*C. Canby Balderston*, Vice-Chairman, Board of Governors, Federal Reserve System—"Steady Jobs, Stable Dollars", the *Commercial and Financial Chronicle*, May 16, 1957, Vol. 185, No. 5638, p. 34:

"However, even if we accept the inevitability of creeping inflation, and I certainly do not, it is not possible to have just a 'little' inflation. Once the community accepts the prospect of continued inflation and begins to make its business decisions in the light of that prospect, the infant ceases to creep. It learns to walk, run, and finally gallop even though the gallop may carry it over the brink of the precipice that everyone agrees must be avoided."

*Ralph Robey*, N.A.M. *News*, June 5, 1959:

"There is no basis for assuming that it is possible to have creeping inflation. Those who urge a price rise of two or three per cent a year are inviting economic disaster."

*Orin K. Burrell*, Professor of Business Administration, University of Oregon, *Christian Science Monitor*, May 21, 1959, p. 18:

"I don't believe inflation can creep. I think the baby grows up and you can't control or predict the increase."

*New York Federal Reserve Bank, "Monthly Review"* June, 1959:

"If expectations include a certainty that the value of the dollar will be allowed to drop steadily, then every considered judgment must include an inflation hedge . . . when inflationary expectations infect the ordinary day-to-day spending decisions, more and more attention is given to subterfuges and hedges of various kinds, including the hoarding of readily storable goods, in order to find some protection from probable loss in the value of the dollar. This kind of behavior . . . occurs whenever expectations of generally rising prices become widespread."

How do the facts compare with the predictions that inflation will not remain at a creep but will soon become a gallop? The country has now had over seven years of creeping inflation. Back in 1952 the consumer price index stood at 113.5. In May, 1959, it was 124.0—a rise of not quite 8% in about seven and half years. Although the consumer price index has increased in six out of the last seven years, it has shown no tendency to rise at an accelerated rate. The largest annual rise was between 1956 and 1957, when the index rose by nearly 3.5%. But the next year the increase dropped to 2.6%, and in the last twelve months (a period of business recovery), the rise was only three-tenths of one per cent.

Why have the predictions that creeping inflation would soon become a gallop been so grievously wrong? Mainly because the authors of these erroneous forecasts have greatly exaggerated the role that expectations play in determining decisions to buy. Deciding whether to buy or not is a more complicated decision than these economists have realized. Expectations concerning price changes are only one of several considerations that play a part in determining the decision. Possible changes in the quality of goods that may be available in the future, the possibility of buying new and entirely different goods, resentment at rising prices, the need to conserve limited resources, particularly in the face of rising prices—all these conditions and others besides affect the decision to buy, and limit the influence of expected price changes on the decision.

### XII. The Credit and Fiscal Policies of the U. S.—What the Government and the Federal Reserve Will Actually Do in Contrast to What They Should Do

A sharp contrast is to be expected between the fiscal and credit policies actually pursued by the Federal Government and the Federal Reserve on the one hand and sensible policies on the other hand. There is no use in blinking the fact that our policies will probably continue to be far from sensible. As a result, credit will have to be kept tight and the economy will have to be kept in a financial strait jacket, so that the economy as a whole will fail to grow at the maximum possible rate that its resources permit. In order to set forth as clearly as possible the difference between the foolish policies that must be expected from the government and sensible policies, I set forth in summary form first what is going to happen, and second, what should happen.

### WHAT IS GOING TO HAPPEN

(1) No important steps will be taken in the immediate future to deal with the budget problem. The great and shocking extravagances in the budget, such as the handouts to farmers and veterans, will remain untouched. Congress shows no signs of being willing to act in a responsible fashion with respect to handouts to the farmers. Only vetoes by President Eisenhower stopped new, extravagant payments to tobacco growers and wheat raisers. The taxpayers are not yet ready to revolt against the wholesale use of their money to sustain the "ins" in office.

(2) The increasing yield of taxes due to the recovery of business gives reason to expect that the budget for 1959-60 will be close to balanced, but a small deficit of perhaps $2 billion would not be surprising.

(3) Congress will not increase taxes or postal rates to meet the deficit.

(4) Congress will fail to make much-needed increases in appropriations for education, natural resource development, airports, and other requirements of a growing community.

(5) Congress will refuse to raise the ceiling of 4.25% on the rates that the Federal Government is permitted to pay on obligations of five years maturity or longer. Thus, the Federal Government will be effectively precluded from borrowing in the long-term market.

(6) The recovery of business will stimulate the demand for credit and capital by business enterprises.

(7) The competing demands of business and the government for short-term funds will create increasing tightness in the short-term money market.

(8) The Federal Reserve will attempt to discourage borrowing by business by maintaining increasingly tight control over credit.

(9) The restrictive credit policies of the Federal Reserve will be particularly repressive of small business and residential construction.

(10) The economy will continue to expand in a limited fashion despite the economic strait jacket in which it is held by (a) the ceiling on the government's long-term interest rates; (b) by failure of Congress to make appropriations needed for expansion; and (3) by tight Federal Reserve policy. But growth will be less than it might have been under better policies.

(11) The economy will get a strong but temporary shot in the arm from the new cars in 1960.

(12) The Democrats will overwhelmingly win the election of 1960, and the new Democratic administration will usher in a new deal of liberal spending, deficits, and inflationary financing.

### WHAT SHOULD HAPPEN?

What would be the elements of a sensible economic policy for the United States? A sensible economic policy is easily within our reach provided only the greed of the pressure groups can be controlled—but the chance that this will happen is small. The people of the country are too well off to concern themselves very much about being still better off and, hence, are likely to remain pretty completely in the grip of self-seeking pressure groups and politicians. But if the people desired a more buoyant and prosperous economy, they would insist on the following reforms in fiscal and credit policy:

(1) Drastic budget reforms, beginning with severe cuts in the unconscionable handouts to farmers and veterans, thereby making about $5 billion a year available for tax reduction and expenditures on needed expansion.

(2) Cuts of about $3 billion a year in personal income taxes, freeing incomes for greater personal saving and greater purchases of consumer goods.

(3) Increases in postal rates to make the post office self-supporting, and large increases in the gasoline tax to reduce the present excessive subsidy of automobile transportation. The increases in the gasoline tax would encourage much-needed improvements in automobile engine design.

(4) Increased expenditures of about $2 billion a year on education, research, natural resource development, airport development, depressed areas.

(5) Removal of the ceiling on interest rates on long-term government securities, thereby opening the long-term market to the

*Continued on page 28*

**TABLE I**

| | Dec. 1956 | Aug. 1957 | Feb. 1958 | May 1958 | June 1958 | Jan. 1959 | Mar. 1959 | Apr. 1959 | May 1959 |
|---|---|---|---|---|---|---|---|---|---|
| All manufacturing and trade | 1.56 | 1.60 | 1.71 | 1.66 | 1.62 | 1.49 | 1.46 | 1.45 | 1.44 |
| All manufacturing | 1.82 | 1.90 | 2.05 | 2.02 | 1.95 | 1.76 | 1.72 | 1.69 | 1.69 |
| Durable goods | 2.12 | 2.22 | 2.53 | 2.50 | 2.36 | 2.08 | 2.00 | 1.93 | 1.93 |
| Non-durable goods | 1.51 | 1.57 | 1.64 | 1.61 | 1.58 | 1.47 | 1.46 | 1.44 | 1.44 |
| All wholesale trade | 1.10 | 1.12 | 1.19 | 1.31 | 1.11 | 1.01 | .98 | .98 | .98 |
| Durable goods | 1.50 | 1.60 | 1.81 | 1.68 | 1.63 | 1.47 | 1.37 | 1.36 | 1.35 |
| Non-durable goods | .86 | .85 | .87 | .84 | .84 | .75 | .74 | .74 | .74 |
| All retail trade | 1.47 | 1.43 | 1.51 | 1.44 | 1.45 | 1.38 | 1.35 | 1.36 | 1.34 |
| Durable goods | 1.84 | 1.93 | 2.20 | 2.08 | 2.12 | 1.90 | 1.85 | 1.85 | 1.87 |
| Non-durable goods | 1.25 | 1.17 | 1.19 | 1.16 | 1.17 | 1.14 | 1.10 | 1.12 | 1.07 |

The large drop in new orders between April and May sharply raised the ratio of inventories to new orders. The ratios of inventories to monthly new orders for recent months: are cited in Table II.

**TABLE II**

| | Dec. 1956 | Aug. 1957 | Feb. 1958 | May 1958 | June 1958 | Jan. 1959 | Mar. 1959 | Apr. 1959 | May 1959 |
|---|---|---|---|---|---|---|---|---|---|
| All manufacturing | 1.80 | 1.99 | 2.17 | 2.04 | 1.95 | 1.74 | 1.67 | 1.64 | 1.70 |
| Durable goods | 2.12 | 2.40 | 2.83 | 2.54 | 2.32 | 2.02 | 1.88 | 1.86 | 1.97 |
| Non-durable goods | 1.49 | 1.49 | 1.66 | 1.61 | 1.61 | 1.47 | 1.44 | 1.41 | 1.43 |

**TABLE III**

| | Week Ending | | | | Month of | | |
|---|---|---|---|---|---|---|---|
| | July 7 1959 | June 30 1959 | June 23 1959 | May 26 1959 | May 1959 | March 1959 | April 1958 |
| All commodities | 119.2 | 119.3 | 119.6 | 119.5 | 119.8 | 119.6 | 119.3 |
| Farm products | 88.8 | 89.4 | 90.7 | 91.0 | 90.8 | 90.9 | 97.7 |
| Processed foods | 107.0 | 107.3 | 108.0 | 107.6 | 107.7 | 107.2 | 111.5 |
| Commodities other than farm prods. & foods | 127.9 | 127.9 | 127.9 | 127.8 | 128.3 | 128.1 | 125.5 |

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Federal Government when, as, and if the government will need long-term funds. Whether or not deficits are a problem depends largely upon whether or not they are financed by bank credit or out of real saving. A deficit is not a grave problem for the government provided it is financed by real saving rather than by bank credit. But in order to finance any deficit out of real saving, the government must pay the market price for investment - seeking funds. The alternative is to raise the money by inflationary means —a bad method, but the one that the next Democratic administration of 1960 will undoubtedly use.

(6) Some easing of the Federal Reserve credit policy, since the improved fiscal position of the Federal Government would no longer require that the Federal Reserve so drastically throttle down borrowing by business. It is not ordinarily fully appreciated how Federal Reserve policy is affected by the budget problems of the government. Were Congress to do a better job of fiscal policy making, the Federal Reserve could relax to some extent the tight controls over credit. The result of a more relaxed Reserve policy would be greater prosperity for new and small business concerns and for the residential construction industry.

The fact that much greater prosperity than we possess is easily within our grasp does not mean that the country will adopt the simple and obvious course necessary to achieve it. On the contrary, the prosperity of the country will continue to be limited by the greed of pressure groups and the timidity of politicians. The strong pressure groups and the weak politicians are the real culprits who are throttling the American economy and retarding its expansion. The politicians blame the Federal Reserve, but the irresponsible budget policies of the politicians force the hands of the Federal Reserve. Two steps by Congress would make it possible for the Federal Reserve to relax credit to a significant extent—large cuts in the handouts to farmers and veterans and removal of the ceiling on the rate of interest paid by the government on long-term securities.

**The foregoing brief summary of the essence of American fiscal and credit policy as it is and as it might be, sheds light on the real nature of our economy. By and large, it is a good economy—it is highly productive, it is capable of expanding at a moderate rate even in the face of tight credit policies, it distributes goods broadly, and it is a rather stable economy. Its great strength consists of the absence of central planning and controls and in the fact that it is guided pretty largely by the freely made decisions of millions of consumers, employers, enterprises. But the impact of public policies, especially fiscal and credit policies, upon the economy is very great. Hence, the economy cannot accurately be described as a private enterprise economy—important as private enterprise may be. Nor by any stretch of the imagination can the American economy be called a welfare state. The forces that dominate our fiscal policies reflect above everything else the political influence of the veterans and the farmers—and, in the field of housing, the influence of the construction industry and organized labor. Hence, the most realistic description of the American economy is that it is "a pressure group economy"—not free private enterprise nor a welfare state. In this respect the American economy is fundamentally the same as the British or the French economies.**

To release the economy from the nefarious pressure groups that now directly dominate fiscal policy and indirectly determine credit policy, there is no outside force in sight. The only force to compare in political strength to the farmers and the veterans is the trade unions. But the unions, though not directly responsible for the country's worst mistakes in fiscal policy, cannot be counted on to help deal with the difficulties. The unions will not fight to cut the handouts to farmers and veterans which are the very heart of the country's fiscal and credit problem. Without an attack on these handouts, the country must expect to resort to inflation of the currency. Only by inflation can the money needed for expansion and the present scale of handouts be found.

### XIII. The Steel Strike

My guess of last month [in the *Nihon-Keizai Shimbun* of Tokyo] that there will not be a steel strike has proved incorrect. A fairly extended strike lasting for some weeks now seems a probability. What will it do to the economy, what will be its political repercussions, and what long-term issues does it raise?

Past experience with fairly prolonged steel strikes, such as the five weeks strike in 1949, the eight-weeks strike of 1952, or the five-weeks strike of 1956, showed that the national figures on personal income, retail sales, and investment in plant and equipment were very little affected. In no case was expansion turned into contraction—expansion was slowed up temporarily, but on a small scale. In 1959 the country is better able than ever to take a large and prolonged steel strike in its stride.

The terms of settlement will be important from the standpoint of their effect on inflation. The settlement in 1956, in particular, was an important inflationary influence. The public hostility toward a rise in the price of steel will be a powerful deterrent to an inflationary settlement in 1959. Any wage increase will have short-run stimulating effects for reasons set forth in Section IV on Personal Income.

The strike will be unpopular with the country and will help the Republicans. But the political tides are running too strongly in favor of the Democrats to be much affected by the strike. There is a steadily growing popular demand for a fresh approach to problems which only a Democrat (or possibly Mr. Rockefeller) could give.

The most interesting issues raised by the steel strike are long-run issues. The mere fact that wage increases stimulate the economy does not mean that they are justified. There are other ways of stimulating the economy than the method of conceding wage increases to those groups that are strong enough to insist on them. Hence the question arises: "What have the steel-workers done to deserve a wage increase?" The obvious answer is: "Nothing." The ordinary steel worker does what he is told to do and his job has not materially changed in the last three years. Where important changes in jobs have occurred, the industry's job evaluation plan (cooperative wage study) provides for reclassification. The gains in steel output have been achieved, not by the workers but by the investors who have furnished the needed capital and, most of all, by the scientists and engineers who have invented and developed the improvements in technology. Nevertheless, thus far employees have insisted on appropriating all the gains of improved technology.

The experience of other industries is the same—the spectacular gains in productivity are made possible by investors, scientists, and engineers, and yet the gains are pretty completely appropriated by labor which pushes up its wages far faster than the rise in output per manhour. Today the process of exploitation in capitalist America is diametrically opposite to the process described by Karl Marx. Marx thought that capital exploited labor, but in America today labor exploits capital, science, and engineering. How long will the community tolerate this topsy-turvy system of distribution by which the routine workers appropriate the gains made possible by the risk takers and the innovators? There are no signs of a revolt against the current system of distribution and exploitation, but perhaps the steel strike will cause a few people to ask whether our system of distribution ought not to be changed.

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**AUTHOR'S NOTE—In the foregoing discussion of economic trends and prospects in the United States, prepared for publication in Japanese by the *Nihon-Keizai Shimbun* of Tokyo, I have made a departure from straight forward reporting and have added a brief discussion of what I would *like* to see in fiscal and credit policy. I have made this departure reluctantly and in self-defense. In the imperfect world in which we live, what one would *like* to see happen often is remote from what one would expect to happen. Nevertheless, uncritical readers insist on treating mere predictions as expressions of desire. To make plain that there is a difference between what I expect and what I desire, I have set forth my expectations and my desires separately. I am sorry to intrude with my desires, but the refusal of many readers to believe that one does not necessarily hope for what one predicts makes this crude step necessary. S. H. S.**

## With Pac. Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Bucklen Holland is now with Pacific Coast Securities Company, 9201 Wilshire Boulevard. He was formerly with Robert Brandt Co.

## Philips, Rosen to Admit

On July 30, Philips, Rosen & Appel, 55 Liberty Street, New York City, members of the New York Stock Exchange, will admit Marilyn Lederman to limited partnership.

## Sylvester Brand

Sylvester S. Brand, partner in Brand, Grumet & Seigel, passed away July 16.

## Eppler, Guerin Branch

ABILENE, Texas—Eppler, Guerin & Turner, Inc. has opened a branch office in the Citizens National Bank Building, under the management of Haden T. Brashier, Junior.

## Sidney Cohn to Be Partner in David Finkle

Sidney D. Cohn on Aug. 1 will be admitted to partnership in David Finkle & Co., 72 Wall St., New York City, members of the New York Stock Exchange. Mr. Cohn is a partner in Spiegelberg, Feuer & Co.

## Merrick Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Mrs. Rose S. Green has been added to the staff of Merrick & Co., 222 East Fifth Avenue.

## With Robert Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — James J. Moore is now connected with Robert G. Lewis & Co., Rockford Trust Building, members of the Midwest Stock Exchange.

# *Railroad Securities*

## Southern Pacific

Southern Pacific, serving the Southwest and the Pacific Coast, has shown better earnings and operating results than the majority of the nation's railroads. Its territory continues to grow in population and industrialization.

This railroad is the third largest in terms of operating revenues and its lines pratically dominate the Pacific Coast. They extend from Portland, Oregon, to Los Angeles and then to New Orleans. Southern Pacific also connects with the Union Pacific at Ogden, Utah, forming part of the transcontinental route between Chicago and the West Coast. The railroad also has extensive mileage in California, Texas, Louisiana and Oregon.

In terms of freight revenue, the road has registered a gain of 28% in the past ten years despite a sharp decline in passenger revenues. In 1958 Southern Pacific attained second place in the industry in terms of freight revenues and if the growth trend continues, it might in time become the largest freight carrier in a few years.

Manufactures and miscellaneous freight traffic have been recording constant new peaks, reflecting the growth of the industrialization in the district. The recent increase in general business activity should make for increased earnings this year. It is expected that forest products shipments will be bolstered by a good level of home construction, while agricultural shipments will continue to provide a measure of stability to gross revenues over the longer term.

Southern Pacific has been hurt by large terminal costs and also switching expenses. Southern Pacific also leases refrigerator cars from the 50% owned Pacific Fruit Express. This results in high mileage charges for the cars, but is offset by dividend income and compensation for services rendered, which are not reflected in net operating income.

To reduce the loss from passenger service, passenger train-miles have been reduced by 42% since 1949, although the deficit from this operation, under the Interstate Commerce Commission formula, amounted to $51,100,000 in 1954. However, train-miles were cut by 11% in 1958 as compared with the preceding year and the deficit was cut by $6,700,000 to $40,600,000 and it is believed that further cuts will be made.

Beginning with the current year, Southern Pacific began including the profits of the St. Louis Southwestern (Cotton Belt) in consolidated earnings. Consequently, other income will not show the $1,700,000 received in annual dividends from this source. This will be more than offset by the additional profits which will be taken into consolidated earnings. It is estimated that Southern Pacific presently controls 96% of the Cotton Belt as a result of the recent offer to buy remaining shares of that railroad.

The railroad's financial position remains comfortable. On April 30 cash and cash equivalents amounted to $130,231,000 as compared with $83,027,000 on the like 1958 date. In addition, the road had approximately $50 million of Government bonds held in an investment account. Net working capital on that date was $100,766,000. It is anticipated that depreciation charges this year will exceed equipment trust maturities by about $17 million.

# Rails Are Considering Insurance for Strikes on All or Some Lines

**Plan, if adopted, would cover average daily "fixed expense" for stoppages that violate Railroad Labor Act or defy Presidential Emergency Board recommendations up to 365 days caused by a single strike.**

The nation's railroads are actively considering the adoption of a "service interruption" insurance policy that would protect the carriers against losses resulting from work stoppages.

Draft copies of an insurance plan, which was drawn up by the railroads in cooperation with the Imperial Insurance Company, Limited, are now being circulated to the individual railroads for their approval. To become effective, the policy requires the endorsement of lines representing at least 65% of the industry's gross operating revenue.

The plan is aimed primarily at protecting the carriers from work stoppages that violate provisions of the Railway Labor Act or occur in defiance of recommendations of a Presidential Emergency Board.

### Type of Strikes Covered

According to the draft policy, the key provision brings protection payments into effect in event of "a cessation of work by a part or all of the employees of the insured for the purposes of enforcing demands made by one or more labor organizations on, or of resisting proposals of, a common carrier by railroad in instances where such cessation of work (a) is contrary to the provisions of the Railway Labor Act or (b) is to enforce demands contrary to the recommendations of an Emergency Board appointed by the President of the United States, pursuant to the Railway Labor Act or (c) is in resistance to the application of recommendations of such an Emergency Board."

Strikes resulting directly from certain other types of labor demands are also covered.

Indemnity for an insured railroad's losses would be payable for up to 365 days during suspension of operations caused by a single work stoppage. The indemnity would cover the average daily "fixed expenses," including property taxes, interest charges on debts, pension fund payments and employment of those managerial workers deemed essential for maintaining the property and resuming service at the end of a stoppage.

The insurance company, whose headquarters are at Nassau, Bahama Islands, will work through a carrier Advisory Committee whose members are the heads of the three regional railroad organizations—the Eastern Railroad Presidents Conference, the Association of Southeastern Railroads and the Association of Western Railways.

## Joins I. L. Brooks Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John H. Lowe has joined the staff of I. L. Brooks & Co., 333 Pine St., members of the Pacific Coast Stock Exchange. He was formerly with J. Earle May & Co.

# Indications of Current Business Activity

**The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:**

| | | Latest Week | Previous Week | Month Ago | Year Ago |
|---|---|---|---|---|---|
| **AMERICAN IRON AND STEEL INSTITUTE:** | | | | | |
| Indicated Steel operations (per cent capacity) | July 25 | §13.2 | *38.7 | 87.8 | 57.3 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | July 25 | §374,000 | *1,097,000 | 2,486,000 | 1,546,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | July 10 | 6,802,425 | 7,913,775 | 7,009,975 | 6,439,435 |
| Crude runs to stills—daily average (bbls.) | July 10 | ¶7,836,000 | 7,936,000 | 8,020,000 | 7,607,000 |
| Gasoline output (bbls.) | July 10 | 28,434,000 | 27,402,000 | 28,667,000 | 27,808,000 |
| Kerosene output (bbls.) | July 10 | 1,644,000 | 1,788,000 | 1,952,000 | 1,508,000 |
| Distillate fuel oil output (bbls.) | July 10 | 11,457,000 | 12,768,000 | 12,287,000 | 11,807,000 |
| Residual fuel oil output (bbls.) | July 10 | 6,466,000 | 6,682,000 | 6,605,000 | 6,944,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe line | | | | | |
| Finished and unfinished gasoline (bbls.) at | July 10 | 192,752,000 | 194,989,000 | 201,508,000 | 182,169,000 |
| Kerosene (bbls.) at | July 10 | 28,494,000 | 27,529,000 | 26,151,000 | 25,040,000 |
| Distillate fuel oil (bbls.) at | July 10 | 125,818,000 | 121,179,000 | 106,505,000 | 109,507,000 |
| Residual fuel oil (bbls.) at | July 10 | 54,349,000 | 54,405,000 | 54,612,000 | 66,155,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | July 11 | 554,426 | 573,325 | 709,139 | 491,566 |
| Revenue freight received from connections (no. of cars) | July 11 | 457,519 | 533,797 | 583,562 | 403,307 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | July 16 | $446,600,000 | $578,400,000 | $546,100,000 | $733,043,000 |
| Private construction | July 16 | 228,100,000 | 318,400,000 | 228,000,000 | 419,293,000 |
| Public construction | July 16 | 218,500,000 | 260,000,000 | 318,100,000 | 313,750,000 |
| State and municipal | July 16 | 139,100,000 | 143,600,000 | 184,600,000 | 183,379,000 |
| Federal | July 16 | 79,400,000 | 116,400,000 | 133,500,000 | 130,371,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | July 11 | 1,440,000 | *1,810,000 | 9,110,000 | 1,393,000 |
| Pennsylvania anthracite (tons) | July 11 | 44,000 | 58,000 | 408,000 | 75,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | July 11 | 126 | 109 | 141 | 116 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | July 18 | 13,415,000 | 13,502,000 | 13,331,000 | 12,257,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | July 16 | 242 | 237 | 267 | 279 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | July 14 | 6.196c | 6.196c | 6.196c | 5.967c |
| Pig iron (per gross ton) | July 14 | $66.41 | $66.41 | $66.41 | $66.49 |
| Scrap steel (per gross ton) | July 14 | $39.17 | $39.17 | $38.17 | $37.50 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | July 15 | 29.550c | 30.975c | 31.100c | 25.025c |
| Export refinery at | July 15 | 26.375c | 26.275c | 28.250c | 24.150c |
| Lead (New York) at | July 15 | 12.000c | 12.000c | 12.000c | 11.000c |
| Lead (St. Louis) at | July 15 | 11.800c | 11.800c | 11.800c | 10.800c |
| ‡Zinc (delivered) at | July 15 | 11.500c | 11.500c | 11.500c | 10.500c |
| Zinc (East St. Louis) at | July 15 | 11.000c | 11.000c | 11.000c | 10.000c |
| Aluminum (primary pig. 99.5%) at | July 15 | 24.700c | 24.700c | 24.700c | 24.000c |
| Straits tin (New York) at | July 15 | 102.250c | 102.875c | 104.750c | 94.250c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | July 21 | 83.89 | 83.96 | 83.81 | 93.29 |
| Average corporate | July 21 | 85.85 | 85.72 | 86.11 | 95.62 |
| Aaa | July 21 | 89.37 | 89.23 | 89.37 | 100.81 |
| Aa | July 21 | 87.72 | 87.59 | 87.86 | 98.57 |
| A | July 21 | 85.46 | 85.33 | 85.98 | 95.32 |
| Baa | July 21 | 81.29 | 81.05 | 81.78 | 88.27 |
| Railroad Group | July 21 | 85.07 | 84.94 | 85.33 | 91.34 |
| Public Utilities Group | July 21 | 84.94 | 84.68 | 85.20 | 96.69 |
| Industrials Group | July 21 | 87.59 | 87.59 | 87.86 | 98.73 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | July 21 | 4.09 | 4.08 | 4.10 | 3.09 |
| Average corporate | July 21 | 4.72 | 4.73 | 4.70 | 4.03 |
| Aaa | July 21 | 4.46 | 4.47 | 4.46 | 3.70 |
| Aa | July 21 | 4.58 | 4.59 | 4.57 | 3.84 |
| A | July 21 | 4.75 | 4.76 | 4.71 | 4.05 |
| Baa | July 21 | 5.08 | 5.10 | 5.04 | 4.54 |
| Railroad Group | July 21 | 4.78 | 4.79 | 4.76 | 4.32 |
| Public Utilities Group | July 21 | 4.79 | 4.81 | 4.77 | 3.96 |
| Industrials Group | July 21 | 4.59 | 4.59 | 4.57 | 3.83 |
| **MOODY'S COMMODITY INDEX** | July 21 | 381.1 | 383.2 | 388.9 | 401.0 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | July 11 | 255,670 | 289,984 | 308,729 | 191,439 |
| Production (tons) | July 11 | 180,359 | 275,478 | 330,025 | 133,774 |
| Percentage of activity | July 11 | 56 | 82 | 98 | 48 |
| Unfilled orders (tons) at end of period | July 11 | 567,234 | 493,664 | 528,417 | 447,215 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | July 17 | 110.91 | 110.63 | 110.15 | 110.25 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | June 26 | 2,346,590 | 2,148,710 | 2,342,330 | 1,748,010 |
| Short sales | June 26 | 335,610 | 333,780 | 339,770 | 400,520 |
| Other sales | June 26 | 1,944,660 | 1,768,600 | 1,964,580 | 1,296,400 |
| Total sales | June 26 | 2,280,270 | 2,102,380 | 2,304,350 | 1,696,920 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | June 26 | 407,240 | 294,550 | 355,620 | 481,540 |
| Short sales | June 26 | 45,300 | 28,600 | 19,500 | 44,500 |
| Other sales | June 26 | 355,600 | 285,500 | 487,650 | 414,510 |
| Total sales | June 26 | 400,900 | 314,100 | 507,150 | 459,010 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | June 26 | 729,618 | 653,150 | 653,696 | 586,250 |
| Short sales | June 26 | 115,890 | 94,070 | 128,737 | 123,970 |
| Other sales | June 26 | 713,250 | 670,660 | 714,591 | 567,660 |
| Total sales | June 26 | 829,140 | 764,730 | 843,328 | 691,630 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | June 26 | 3,483,448 | 3,136,410 | 3,351,646 | 2,815,800 |
| Short sales | June 26 | 496,800 | 456,450 | 488,007 | 568,990 |
| Other sales | June 26 | 3,013,510 | 2,724,760 | 3,166,821 | 2,278,570 |
| Total sales | June 26 | 3,510,310 | 3,181,210 | 3,654,828 | 2,847,560 |
| **STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION** | | | | | |
| Odd-lot sales by dealers (customers' purchases)—† | | | | | |
| Number of shares | June 26 | 1,653,714 | 1,616,002 | 1,699,004 | 1,078,923 |
| Dollar value | June 26 | $90,089,463 | $90,392,330 | $102,830,427 | $49,733,718 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | June 26 | 1,537,468 | 1,378,050 | 1,540,555 | 1,082,638 |
| Customers' short sales | June 26 | 7,682 | 9,352 | 8,114 | 7,679 |
| Customers' other sales | June 26 | 1,529,786 | 1,368,698 | 1,532,441 | 1,074,959 |
| Dollar value | June 26 | $77,071,580 | $70,834,338 | $85,730,911 | $45,238,603 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | June 26 | 436,710 | 373,480 | 463,170 | 345,950 |
| Short sales | June 26 | ------ | ------ | ------ | ------ |
| Other sales | June 26 | 436,710 | 373,480 | 463,170 | 345,950 |
| Round-lot purchases by dealers— Number of shares | June 26 | 564,070 | 635,080 | 579,690 | 378,400 |
| **TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):** | | | | | |
| Total round-lot sales— | | | | | |
| Short sales | June 26 | 582,950 | 552,850 | 585,290 | 789,380 |
| Other sales | June 26 | 14,804,890 | 13,144,030 | 15,179,860 | 13,169,780 |
| Total sales | June 26 | 15,387,840 | 13,696,880 | 15,765,150 | 13,959,160 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | July 14 | 119.2 | *119.4 | 119.4 | 119.3 |
| Farm products | July 14 | 88.3 | *89.0 | 90.0 | 94.1 |
| Processed foods | July 14 | 107.1 | *107.3 | 107.8 | 112.4 |
| Meats | July 14 | 99.8 | 100.1 | 103.1 | 112.9 |
| All commodities other than farm and foods | July 14 | 128.2 | *128.2 | 127.9 | 126.0 |

*Revised figure. ¶Includes 1,102,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **AMERICAN GAS ASSOCIATION**—For month of May: | | | |
| Total gas sales (M therms) | 6,583,200 | 7,736,900 | 5,822,800 |
| Natural gas sales (M therms) | 6,422,700 | 7,503,500 | 5,653,200 |
| Manufactured gas sales (M therms) | 15,300 | 22,700 | 16,800 |
| Mixed gas sales (M therms) | 145,200 | 210,700 | 152,800 |
| **AMERICAN RAILWAY CAR INSTITUTE**—Month of June: | | | |
| Orders for new freight cars | 8,054 | 5,253 | 317 |
| New freight cars delivered | 3,950 | 3,358 | 2,407 |
| Backlog of cars on order and undelivered (end of month) | 40,973 | 36,869 | 27,757 |
| **BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR**—Month of June (in millions): | | | |
| Total new construction | 4,979 | 4,645 | 4,343 |
| Private construction | 3,466 | 3,239 | 2,934 |
| Residential buildings (nonfarm) | 2,052 | 1,933 | 1,558 |
| New dwelling units | 1,510 | 1,425 | 1,123 |
| Additions and alterations | 477 | 447 | 382 |
| Nonhousekeeping | 65 | 61 | 53 |
| Nonresidential buildings | 762 | 687 | 732 |
| Industrial | 161 | 154 | 187 |
| Commercial | 364 | 320 | 318 |
| Office buildings and warehouses | 165 | 159 | 171 |
| Stores, restaurants, and garages | 199 | 151 | 147 |
| Other nonresidential buildings | 237 | 213 | 227 |
| Religious | 79 | 71 | 70 |
| Educational | 42 | 41 | 47 |
| Hospital and institutional | 48 | 46 | 51 |
| Social and recreational | 50 | 41 | 37 |
| Miscellaneous | 18 | 14 | 22 |
| Farm construction | 175 | 158 | 156 |
| Public utilities | 460 | 446 | 469 |
| Railroad | 29 | 29 | 25 |
| Telephone and telegraph | 69 | 67 | 78 |
| Other public utilities | 362 | 350 | 366 |
| All other private | 17 | 15 | 19 |
| Public construction | 1,513 | 1,406 | 1,409 |
| Residential buildings | 86 | 92 | 66 |
| Nonresidential buildings | 406 | 386 | 411 |
| Industrial | 30 | 30 | 36 |
| Educational | 244 | 227 | 257 |
| Hospital and institutional | 39 | 38 | 32 |
| Administrative and service | 52 | 51 | 46 |
| Other nonresidential buildings | 41 | 40 | 40 |
| Military facilities | 135 | 125 | 126 |
| Highways | 575 | 505 | 536 |
| Sewer and water systems | 125 | 122 | 123 |
| Sewer | 77 | 74 | 73 |
| Water | 48 | 48 | 50 |
| Public service enterprises | 54 | 49 | 41 |
| Conservation and development | 111 | 105 | 94 |
| All other public | 21 | 22 | 12 |
| **BUSINESS FAILURES—DUN & BRADSTREET, INC.**—Month of June: | | | |
| Manufacturing number | 203 | 199 | 235 |
| Wholesale number | 130 | 93 | 125 |
| Retail number | 633 | 567 | 640 |
| Construction number | 167 | 172 | 161 |
| Commercial service number | 111 | 104 | 99 |
| Total number | 1,244 | 1,135 | 1,260 |
| Manufacturers' liabilities | $12,143,000 | $10,835,000 | $18,959,000 |
| Wholesale liabilities | 5,232,000 | 4,846,000 | 5,685,000 |
| Retail liabilities | 18,234,000 | 19,638,000 | 21,692,000 |
| Construction liabilities | 8,519,000 | 12,262,000 | 7,390,000 |
| Commercial service liabilities | 5,069,000 | 3,336,000 | 7,719,000 |
| Total liabilities | $49,197,000 | $50,917,000 | $61,445,000 |
| **COAL EXPORTS (BUREAU OF MINES)**—Month of May: | | | |
| U. S. exports of Pennsylvania anthracite (net tons) | 157,634 | 78,512 | 189,750 |
| To North and Central America (net tons) | 120,180 | 66,365 | 110,836 |
| To Europe (net tons) | 28,554 | 5,668 | 60,215 |
| To Asia (net tons) | 5,824 | 6,379 | 8,925 |
| To South America (net tons) | 3,076 | ------ | 9,774 |
| Undesignated | ------ | 100 | ------ |
| **COAL OUTPUT (BUREAU OF MINES)**—Month of June: | | | |
| Bituminous coal and lignite (net tons) | 36,470,000 | 34,920,000 | 34,155,000 |
| Pennsylvania anthracite (net tons) | 1,708,000 | 1,388,000 | 1,963,000 |
| **COKE (BUREAU OF MINES)**—Month of May: | | | |
| Production (net tons) | 6,384,126 | *6,226,274 | 3,898,829 |
| Oven coke (net tons) | 6,244,122 | 6,074,002 | 3,862,390 |
| Beehive coke (net tons) | 140,004 | *152,272 | 36,439 |
| Oven coke stock at end of month (net tons) | 3,150,104 | 3,422,876 | 3,886,162 |
| **COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK**— As of June 30 (000's omitted) | $729,000 | $791,000 | $966,000 |
| **COPPER INSTITUTE** — For month of June: | | | |
| Copper production in U. S. A.— | | | |
| Crude (tons of 2,000 pounds) | 110,209 | *114,169 | 82,072 |
| Refined (tons of 2,000 pounds) | 138,403 | *135,031 | 107,918 |
| Deliveries to fabricators— | | | |
| In U. S. A. (tons of 2,000 pounds) | 150,993 | *135,135 | 100,796 |
| Refined copper stocks at end of period (tons of 2,000 pounds) | 84,798 | 86,132 | 245,450 |
| **INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100**—Month of June: | | | |
| Seasonally adjusted | 155 | 153 | 132 |
| Unadjusted | 155 | 153 | 131 |
| **NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.**—Month of June | £20,763,000 | £43,775,000 | £39,365,000 |
| **PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)**—Month of June (in billions): | | | |
| Total personal income | $382.9 | *$381.3 | Not avail. |
| Wage and salary receipts, total | 261.1 | *259.8 | " |
| Commodity producing industries | 110.4 | *109.8 | " |
| Manufacturing only | 87.2 | *86.7 | " |
| Distributing industries | 67.8 | *67.5 | " |
| Service industries | 37.2 | *37.1 | " |
| Government | 45.7 | *45.4 | " |
| Other labor income | 10.0 | *9.9 | " |
| Business and professional | 34.6 | *34.5 | " |
| Farm | 12.1 | *12.0 | " |
| Rental income of persons | 12.0 | *12.0 | " |
| Dividends | 13.1 | *13.0 | " |
| Personal interest income | 22.2 | *22.0 | " |
| Transfer payments | 26.2 | *26.4 | " |
| Less employees' contribution for social insurance | 8.4 | *8.3 | " |
| Total nonagricultural income | 366.9 | *365.3 | " |
| **TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.**—Month of June: | | | |
| Net sales | ------ | ------ | $73,296,450 |
| Net purchases | $9,869,500 | $53,131,900 | ------ |

*Estimated.

# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

**Alabama Gas Corp. (8/5)**
July 8 filed $4,000,000 of series E first mortgage bonds, due Aug. 1, 1984. **Proceeds**—To pay construction costs. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Stone & Webster Securities Corp. and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler and Equitable Securities Corp. (jointly). **Bids**—Expected to be received until 11:30 a.m. (EDT) on Aug. 5.

**Alabama Gas Corp. (8/6)**
July 8 filed 30,843 series A cumulative preferred stock, par $100 (with attached warrants) to be offered to stockholders of record on or about Aug. 5, 1959, on the basis of one new share of preferred stock for each 30 shares of common stock then held. Rights expire Aug. 25, 1959. Warrant, not exercisable before Jan. 20, 1960, will entitle holder to purchase 3 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To pay construction costs. **Underwriters**—White, Weld & Co., New York; and Sterne, Agee & Leach, Birmingham, Alabama.

★ **Alcon Laboratories, Inc.**
July 16 filed 16,200 shares of common stock (par 50 cents.) **Price**—$10 per share to employees of record on June 1, 1959 under company's Employee Restricted Stock Option Plan. **Proceeds**—For general expansion of facilities and equipment. **Office** — 1400 Henderson St., Fort Worth, Texas. **Underwriter**—None.

**Alden Electronic & Impulse Recording Equipment Co., Inc.**
June 12 (letter of notification) 650 shares of convertible preferred stock and 225,000 shares of class A common stock (par $1). **Price**—Of preferred, at par ($10 per share); of common, $1.30 per share. **Proceeds**—For the manufacture and purchase of electronic recording equipment. **Office**—Washington St., Westboro, Mass. **Underwriter**—None.

★ **Aldens, Inc.**
July 21 filed $4,550,600 of convertible subordinated debentures, due Aug. 1, 1979, to be offered to common stockholders of record Aug. 14, 1959 on the basis of $100 of debentures for each 16 common shares then held. **Office**—Chicago, Ill. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Lehman Bros., New York.

**All-State Properties, Inc.**
June 26 filed 38,697 outstanding shares of capital stock (par $1). **Proceeds**—To selling stockholders. **Price**—To be offered from time to time in the over-the-counter market or (if the shares are listed) on the American Stock Exchange at the then prevailing market price. **Office**—30 Verbena Ave., Floral Park, N. Y. **Underwriter**—None.

**Allied Colorado Enterprises Co.**
July 13 filed 5,899,618 shares of class A common stock and 551,140 shares of class A-1 common stock for issuance under outstanding subscription agreements at 75 cents per share and 6,576,200 shares of class A common stock for issuance under outstanding option agreements at 25 cents per share. These securities will not be issued if the options and subscription agreements are not exercised. **Proceeds**—For working capital and surplus of subsidiaries and for general corporate purposes. **Underwriters**—Allen Investment Co., Boulder, Colo., and Mountain States Securities Corp., Denver, Colo.

**Allied Colorado Enterprises Co.**
July 13 filed 3,000,000 class A common stock (par 25 cents). **Price**—90 cents per share. **Proceeds**—For general corporate purposes. **Office**—Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

● **Allied Petro-Chemicals, Inc. (9/9)**
July 14 filed 100,000 shares of class A common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To be added to company funds. **Office**—Overbrook Hills, Pa. **Underwriter**—Philadelphia Securities Co., Inc., Philadelphia, Pa.

**America Mines, Inc.**
June 29 filed 150,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To assume and pay an option held by its Mexican subsidiary to purchase certain mining claims in the State of Durango, Mexico, owned by Compania Minera La Bufa, S. A., by paying to such company $50,000; to construct and place in working operation a mine, mill and accessories capable of processing 100 tons of gold ore per day estimated to cost $350,000; payment of about $15,000 of other obligations; to carry on with the balance of the proceeds an exploration program for additional gold and mineral properties both in Mexico and the United States. **Office** — Bank of the Southwest Building, Houston, Tex. **Underwriter**—None.



★ **American Beverage Corp.**
July 16 filed 950,000 shares of common stock. **Proceeds**—The stock is to be exchanged for all the outstanding capital stock of a group of "Golden Age" companies. **Office**—118 N. 11th Street, Brooklyn, N. Y. **Underwriter**—None.

**American & Foreign Power Co., Inc.**
June 30 filed $22,500,000 of convertible junior debentures, due 1982. **Price**—To be supplied by amendment. **Proceeds**—To be applied in part to the repayment of outstanding bank loans, and the balance will be used for general corporate purposes, including investments in subsidiary companies, to aid in their construction programs. **Underwriter**—The First Boston Corp. and Lazard Freres & Co., New York. **Offering**—Late this summer.

**American Investors Syndicate, Inc.**
June 25 filed 600,000 shares of common stock (par 10 cents), and 200,000 shares of 6% preferred stock (no par value, $9 stated value), to be offered in units consisting of 3 shares of common ($1 each) and 1 share of preferred ($9). **Price**—$12 per unit. **Proceeds**—For construction and related expenditures. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Lindsay Securities Corp., New Orleans, La.

**American-Saint Gobain Corp. (7/28)**
June 26 filed $11,221,500 of subordinated convertible debentures, due 1983, and 544,314 shares of common stock. The debentures are to be offered to common stockholders on the basis of $100 principal amount of debentures for each eight shares of common stock held on July 28, 1959; rights to expire on Aug. 11, 1959. The common shares are to be offered to present stockholders on the basis of one new share for each 3⅓ shares held on July 28, 1959; rights to expire on Aug.: 11, 1959. **Price**—To be supplied by amendment. **Proceeds**—For payment of long-term debt and, in part, for plant construction. **Underwriter**—F. Eberstadt & Co., New York.

**American & St. Lawrence Seaway Land Co., Inc.**
July 8 filed 500,000 shares of common stock to be offered publicly. **Price**—$3 per share. **Proceeds**—To pay off mortgages and for general corporate purposes. **Office**—60 East 42nd Street, New York. **Underwriter**—A. J. Gabriel & Co., Inc., New York.

**Amican Petroleum & Natural Gas Corp. Ltd.**
March 23 filed 745,000 shares of capital stock (no par), of which 500,000 shares are to be sold for the account of the company, and 245,000 shares by the holders thereof. **Price**—30 cents per share. **Proceeds**—For exploration and development program. **Office** — 2100 Scarth Street, Regina, Saskatchewan, Canada. **Underwriter**—Cumberland Securities, Ltd., Regina, Canada.

**Appalachian National Life Insurance Co.**
July 1 filed 966,667 shares of common stock, including 160,000 shares reserved for option to employees and directors. **Price**—$3 per share. **Proceeds**—To be used for the conduct of the company's insurance business. **Office**—1401 Bank of Knoxville Bldg., Knoxville, Tenn. **Underwriters**—Abbott, Proctor & Paine, New York; Cumberland Securities Corp., Nashville, Tenn.; Davidson & Co., Inc. and Investment Corp. of Fidelity, both of Knoxville, Tenn. **Offering**—Expected sometime during August.

● **Astronautics Engineering Corp. (7/29)**
May 28 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—500 W. 18th St., Hialeah, Fla. **Underwriter** — Charles Plohn & Co., New York, N. Y.

● **Azalea Mobile Homes, Inc. (7/23-24)**
May 21 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For opening one additional trailer sales lot and for construction cost of mobile home park. **Address**—3455 Highway, Norfolk, Va. **Underwriter**—Palombi Securities Co., Inc., 37 Wall St., New York, N. Y.

**Ballard Aircraft Corp.**
April 17 filed 300,000 shares of common stock (par $1) **Price** — $3.25 per share. **Proceeds** — To develop and manufacture aircraft embodying the body lift principle. etc. **Underwriter**—Firm originally mentioned has withdrawn. **Office**—1 Kennedy St. N. W., Washington, D. C. **Note**—SEC held hearing June 18 regarding statements in prospectus.

**Bankers Preferred Life Insurance Co.**
Jan. 30 (letter of notiifcation) 100,000 shares of common stock (par $1.60). **Price**—$3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—Suite 619, E. & C. Bldg., Denver, Colo. **Underwriter**—Ringsby Underwriters, Inc., Denver 2, Colo.

● **Barton Distilling Co.**
July 6 filed $2,000,000 of 6% secured notes due July 1, 1965. These are direct obligations of the company secured by whiskey warehouse receipts for not less than 2,500,000 original proof gallons of Kentucky bourbon whiskey produced by the company not earlier than Jan. 1, 1959. **Price**—To be supplied by amendment. **Proceeds**—To finance whiskey during its aging period. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio. **Offering**—Late in August.

**Basic Materials, Inc.**
April 9 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Harold A. Roberts, President, Arroyo Hondo, Santa Fe, N. Mex. **Underwriter** — Hyder, Rosenthal & Co., Albuquerque, N. Mex.

★ **Baton Rouge Water Works Co.**
July 14 (letter of notification) 26,643 shares of common stock (no par) to be offered for subscription by stockholders. Rights expire July 29. **Price**—$11 per share. **Proceeds**—To enlarge the distribution system. **Office**—131 Lafayette St., Baton Rouge, La. **Underwriter**—None.

★ **Beverages Bottling Corp.**
July 6 filed 300,000 shares of common stock (par 10¢). **Price**—$1. **Proceeds**—For general corporate purposes. **Underwriter** — Financial Management, Inc., 112 Broadway, New York.

**Big Apple Supermarkets, Inc. (8/10)**
June 24 filed 425,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—Expansion and working capital. **Underwriter**—Simmons & Co., New York.

● **Bostic Concrete Co., Inc. (7/23-24)**
June 19 (letter of notification) $250,000 of 8% convertible debentures due July 1, 1969 and 10,000 shares of class A common stock (par $1) to be offered in units of one $500 debenture and 20 shares of class A common stock. **Price**—$600 per unit. **Proceeds**—To pay obligations and for working capital. **Office** — 1205 Oil Centre Station, Lafayette, La. **Underwriter**—Syle & Co., New York, N. Y.

**Boston Harbor Marina, Inc.**
June 29 (letter of notification) 756 shares of common stock (no par) and 1,512 shares of preferred stock (no par) to be offered for subscription by stockholders of record July 6, 1959 in units of one share of common and two shares of preferred. **Price**—To stockholders, $100 per unit; to the public, $125 per unit. **Proceeds** — For expenses for operating a boat marina. **Office**—542 E. Squantum Street, North Quincy, Mass. **Underwriter**—None.

**Branson Instruments, Inc. (8/5)**
July 10 filed 40,000 shares of common stock (par $1), of which 10,000 shares will be sold for the company's account and 30,000 shares for selling stockholders. **Proceeds**—Additional inventory, working capital, and general funds. **Office**—Stamford, Conn. **Underwriter**—McDonnell & Co., Inc., New York.

**Brew (Richard D.) & Co., Inc., Concord, N. H. (7/27-31)**
June 23 filed 110,000 shares of common stock (par $1), of which 40,000 shares will be sold for account of two selling stockholders and the remaining 70,000 shares for the company's account. **Price**—To be supplied by amendment. **Proceeds** — To repay outstanding indebtedness. **Underwriter**—Lee Higginson Corp., New York.

● **British Industries Corp. (7/27)**
June 24 filed 75,000 shares of common stock (par 50 cents), of which 37,500 shares will be offered for the account of the company and 37,500 shares will be offered for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Emanuel, Deetjen & Co., New York.

**Brockton Taunton Gas Co. (7/29)**
June 29 filed 37,268 shares of common stock, to be offered for subscription by common stockholders of record July 29, 1959, on the basis of one new share for each eight shares then held; rights to expire on or about Aug. 13, 1959. **Price**—To be supplied by amendment. **Proceeds**—For repayment of short-term bank loans incurred under the company's 1956-1958 construction program. **Office**—178 Atlantic Ave., Boston, Mass. **Underwriter**—The First Boston Corp., New York.

★ **Bulova Watch Co., Inc.**
July 20 filed 100,000 shares of common stock, to be offered pursuant to the company's Restricted Stock Option Plan for Key Executive Employees. **Office**—Flushing, L. I., New York.

★ **Casco Chemical Corp. (7/29)**
July 10 filed 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For marketing of "Resistolox 20," (an anti-oxidant) and for general corporate purposes. **Office**—207 American Bank & Trust Bldg., Dallas, Tex. **Underwriter**—Pearson, Murphy & Co., Inc., New York.

**Central American Mineral Resources, S. A.**
May 27 filed 620,000 shares of common stock, of which 500,000 shares are to be offered for the account of the company and 120,000 shares for the account of certain selling stockholders. **Price**—$1 per share. **Proceeds**—To finance acquisitions and to increase working capital. **Office**—161 East 42nd St., New York, N. Y. **Underwriter**—None.

★ **Central Charge Service, Inc. (8/12)**
July 17 filed $500,000 of 5½% convertible capital debentures. **Price**—At 100% of principal amount. **Proceeds**—To add to working capital, buy accounts receivable, and reduce short-term indebtedness. **Office**—620 — 11th St., N. W., Washington, D. C. **Underwriter**—Auchincloss, Parker & Redpath, New York.

**Citizens' Acceptance Corp.**
June 29 filed $600,000 of series F 6% five-year subordinated debentures, to be offered to the present holders of the company's subordinated debentures in exchange, at face value, on the maturity dates of those securities

so long as there are bonds remaining unsold in this offering. No bonds will be reserved for this exchange offering. **Price**—100% of principal amount. **Proceeds**—To increase or maintain the working capital of the company but will be initially applied to the reduction of short-term notes due within one year. Part of the proceeds may also be used to retire outstanding subordinated debentures not exchanged. **Office**—Georgetown, Del. **Underwriter**—None.

**Civic Finance Corp.**
May 21 (letter of notification) 11,116 shares of common stock (par $2) being offered on a share-for-share exchange basis to stockholders of Milwaukee Loan & Finance Co. Offer expires on or before Aug. 1, 1959. **Office** 633 N. Water St., Milwaukee, Wis. **Underwriter**—None.

★ **Cohu Electronics, Inc. (8/26)**
July 20 filed 356,125 shares of common stock, to be made available to stockholders on a basis of one share for every three held as of the record date. **Price**—To be supplied by amendment. **Proceeds** — To reduce outstanding indebtedness, for expansion, and for working capital. **Office**—San Diego, Calif. **Underwriters**—Hayden, Stone & Co., and Winslow, Cohu and Stetson, Inc., both of New York.

● **Colonial Energy Shares, Inc., Boston, Mass. (7/27)**
May 5 filed 1,200,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriters**—White, Weld & Co., New York, and Dean Witter & Co., Los Angeles, Calif.

● **Colorado Water & Power Co.**
Feb. 25 (letter of notification) $220,000 of 6% unsecured debentures due April 1, 1964 and 1,100 shares of common stock (par $1) to be offered in units of $200 of debentures and one share of stock. **Price** — $205 per unit **Proceeds**—For working capital. **Office**—Suite 421, 901 Sherman Street, Denver, Colo.

**Commerce Oil Refining Corp.**
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

**Commercial Investors Corp.**
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah. **Offering**—Expected in August.

**Community Credit Co. (8/5)**
June 22 (letter of notification) 12,000 shares of 6.12% senior cumulative sinking fund preferred stock, series A. **Price**—At par ($25 per share). **Proceeds**—To retire the presently outstanding preferred stock. **Office**—3023 Farnam St., Omaha, Neb. **Underwriter** — Wachob-Bender Corp., Omaha, Neb.

★ **Construction Management, Inc.**
July 7 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase a maximum of 49% of common stock of each client's construction firm and for working capital. **Office**—1177 Dexter Horton Bldg., Seattle 4, Wash. **Underwriter**—None.

*Continued on page 32*

# NEW ISSUE CALENDAR

**July 23 (Thursday)**

Azalea Mobile Homes, Inc. — **Common**
(Palombi Securities Co., Inc.) $300,000

Bostic Concrete Co., Inc. — **Com. and Debs.**
(Syle & Co.) $250,000 units

Hunter Mountain Development Corp. — **Debentures & Common**
(Myron A. Lomasney & Co.) $690,000

Public Service Co. of New Hampshire — **Common**
(Kidder, Peabody & Co. and Blyth & Co., Inc.) 396,030 shares

Tuboscope Co. — **Common**
(Glore, Forgan & Co. and Rowles Winston & Co.) 200,000 shares

**July 24 (Friday)**

Dover Hotel Corp. — **Common**
(Laird, Bissell & Meeds) $299,000

Park Drop Forge Co. — **Common**
(Fulton Reid & Co., Inc.) 43,500 shares

Superior Window Co. — **Preferred**
(Cruttenden, Podesta & Co.) $500,000

Superior Window Co. — **Class A Common**
(Cruttenden, Podesta & Co.) $500,000

Tang Industries — **Common**
(David Barnes & Co., Inc.) $330,000

**July 27 (Monday)**

Brew (Richard D.) & Co., Inc. — **Common**
(Lee Higginson Corp.) 110,000 shares

Colonial Energy Shares, Inc. — **Common**
(White, Weld & Co. and Dean Witter & Co.) 1,200,000 shares

Elion Instruments, Inc. — **Common**
(Harrison & Co.) $300,000

North Hills Electric Co. — **Common**
(D. F. Bernheimer & Co., Inc.) $300,000

Pall Corp. — **Class A**
(L. F. Rothschild & Co., Paine, Webber, Jackson & Curtis and Hayden, Stone & Co.) 40,000 shares

Pall Corp. — **Debentures**
(L. F. Rothschild & Co., Paine, Webber, Jackson & Curtis and Hayden, Stone & Co.) $750,000

Varian Associates — **Common**
(Dean Witter & Co.) 20,000 shares

Varian Associates — **Debentures**
(Dean Witter & Co.) $4,000,000

**July 28 (Tuesday)**

American-Saint Gobain Corp. — **Common**
(Offering to stockholders—underwritten by F. Eberstadt & Co.) 544,314 shares

American-Saint Gobain Corp. — **Debentures**
(Offering to stockholders—underwritten by F. Eberstadt & Co.) $11,221,500

Northrop Corp. — **Debentures**
(William R. Staats & Co. and Blyth & Co., Inc.) $10,000,000

Raytherm Corp. — **Common**
(Blyth & Co., Inc. and Schwabacher & Co.) 150,000 shares

Seiberling Rubber Co. — **Debentures**
(Eastman Dillon, Union Securities & Co.) $3,000,000

Television Shares Management Corp. — **Common**
(White, Weld & Co.) 206,500 shares

Transcontinental Gas Pipe Line Corp. — **Bonds**
(White, Weld & Co. and Stone & Webster Securities Corp.) $20,000,000

Transcontinental Gas Pipe Line Corp. — **Preferred**
(White, Weld & Co. and Stone & Webster Securities Corp.) $15,000,000

Voss Oil Co. — **Common**
(Hill, Darlington & Co.) $1,000,000

Wilcox Electric Co. — **Common**
(Lee Higginson Corp. and Stern Bros. & Co.) 318,736 shares

**July 29 (Wednesday)**

Astronautics Engineering Corp. — **Common**
(Charles Plohn & Co.) $300,000

Brockton Taunton Gas Co. — **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) 37,268 shares

Casco Chemical Corp. — **Common**
(Pearson, Murphy & Co., Inc.) $300,000

Dexter Horton Realty Co. — **Partnership Interests**
(Lifton Securities, Inc. and Hechler-Weingrow Securities, Inc.) $977,500

Hofman Laboratories, Inc. — **Common**
(Myron A. Lomasney & Co.) $300,000

Magnuson Properties, Inc. — **Common**
(Blair & Co., Inc.) 500,000 shares

Microsonics, Inc. — **Common**
(Lee Co.) $152,500

Northwest Defense Minerals, Inc. — **Common**
(Caldwell Co.) $300,000

Pan American World Airways, Inc. — **Debentures**
(Offering to stockholders—underwritten by Lehman Brothers & Hornblower & Weeks) $46,962,100

Public Service Co. of New Hampshire — **Bonds**
(Bids 11 a.m. EDT) $8,000,000

St. Clair Specialty Manufacturing Co., Inc. — **Common**
(Stifel, Nicolaus & Co., Inc. and Walston & Co., Inc.) 30,000 shares

Strategic Materials Corp. — **Common**
(Offering to stockholders—underwritten by S. D. Lunt & Co. and Allen & Co.) 368,571 shares

Supercrete Ltd. — **Common**
(Straus, Blosser & McDowell) 300,000 shares

Ten Keys, Inc. — **Common**
(E. R. Davenport & Co.) $5,094,200

**July 30 (Thursday)**

Hickerson Bros. Truck Co., Inc. — **Common**
(Birkenmayer & Co.) $285,000

**August 3 (Monday)**

Crowell-Collier Publishing Co. — **Common**
(Carl M. Loeb, Rhoades & Co.) 200,000 shares

Edwards Steel Corp. — **Common**
(Charles Plohn & Co.) $700,000

Extrudo-Film Corp. — **Common**
(Maltz, Greenwald & Co.) $525,000

Horizon Land Corp. — **Common**
(Ross, Lyon & Co., Inc.) $300,000

Hudson Radio & Television Corp. — **Common**
(J. A. Winston & Co., Inc. and Netherlands Securities Co., Inc.) $1,000,000

Interstate Life & Accident Insur. Co. — **Common**
(Equitable Securities Corp.) 350,000 shares

Lieco, Inc. — **Common**
(Netherlands Securities Co., Inc. and J. A. Winston & Co., Inc.) $300,000

Micronaire Electro Medical Products Corp. — **Com. and War.**
(General Investing Corp.) $5,500,000

Narda Microwave Corp. — **Common**
(Milton D. Blauner & Co., Inc.) 50,000 shares

Southern Nitrogen Co., Inc. — **Common**
(Harriman & Ripley & Co., Inc.) 136,400 shares

**August 4 (Tuesday)**

Georgia Int. Life Insurance Co. — **Common**
(Johnson, Lane, Space Corp. and Robinson-Humphrey Co., Inc.) $8,325,000

Hexcel Products, Inc. — **Common**
(F. S. Smithers & Co.) 50,000 shares

Pennsylvania Electric Co. — **Bonds**
(Bids to be invited) $15,000,000

Silver Creek Precision Corp. — **Common**
(Maltz, Greenwald & Co.) 1,550,000 shares

Zapata Off-Shore Co. — **Common**
(G. H. Walker & Co.) 229,585 shares

**August 5 (Wednesday)**

Alabama Gas Corp. — **Bonds**
(Bids 11:30 a.m. EDT)

Branson Instruments, Inc. — **Common**
(McDonnell & Co., Inc.) 40,000 shares

Community Credit Co. — **Preferred**
(Wachob-Bender Corp.) $300,000

Coral Ridge Properties, Inc. — **Common**
(Crutenden, Podesta & Co. and J. R. Williston & Beane) 450,000 shares

Coral Ridge Properties, Inc. — **Preferred**
(Cruttenden, Podesta & Co. and J. R. Williston & Beane) 450,000 shares

Douglas Microwave, Inc. — **Common**
(Simmons & Co.) $300,000

Faradyne Electronics Corp. — **Common**
(Charles Plohn & Co. and Netherlands Securities Co., Inc.) $1,320,000

Gabriel Co. — **Debentures**
(Prescott, Shepard & Co., Inc. and Carl M. Loeb, Rhoades & Co.) $2,500,000

Jefferson Wire & Cable Corp. — **Common**
(Charles Plohn & Co. and Netherlands Securities Co., Inc.) $375,000

National Packaging Corp. — **Common**
(First Securities Corp.) $164,000

Pacific Power & Light Co. — **Debentures**
(Bids to be invited) $10,996,000

**August 6 (Thursday)**

Alabama Gas Corp. — **Preferred**
(Offering to stockholders—underwritten by White, Weld & Co., and Sterne, Agee & Leach) $3,084,300

Buckingham Transportation Inc. — **Common**
(Cruttenden, Podesta & Co.) 250,000 shares

New York Capital Fund of Canada Ltd. — **Common**
(Carl M. Loeb, Rhoades & Co.) 1,000,000 shares

**August 7 (Friday)**

Owens Yacht Co., Inc. — **Common**
(Shields & Co.) 300,000 shares

**August 10 (Monday)**

Big Apple Supermarkets, Inc. — **Common**
(Simmons & Co.) $850,000

Controls Co. of America — **Common**
(Merrill Lynch, Pierce, Fenner & Smith and Lee Higginson Corp.) 191,703 shares

**August 11 (Tuesday)**

Michigan Bell Telephone Co. — **Debentures**
(Bids to be invited) $30,000,000

**August 12 (Wednesday)**

Central Charge Service, Inc. — **Debentures**
(Auchincloss, Parker & Redpath) $500,000

Chesapeake & Ohio Ry. — **Equip. Trust Ctfs.**
(Bids to be invited) $2,500,000

Florida Water & Utilities Co. — **Common**
(Bell & Hough, Inc.) 86,000 shares

International Tuna Corp. — **Common**
(Gates, Carter & Co.) $175,000

Lease Plan International Corp. — **Common**
(Hayden, Stone & Co.) 140,000 shares

Raub Electronics Research Corp. — **Common**
(Weil & Co.) $1,402,500

**August 13 (Thursday)**

Cary Chemicals, Inc. — **Debentures**
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $3,000,000

Trans Central Petroleum Corp. — **Common**
(Barnett & Co., Inc.) $100,000

**August 17 (Monday)**

Cubic Corp. — **Common**
(Hayden, Stone & Co.) 105,000 shares

**August 18 (Tuesday)**

Consumers Power Co. — **Bonds**
(Bids to be received) $35,000,000

Dilbert Leasing & Development Corp. — **Debentures & Common**
(S. D. Fuller & Co.) $4,505,600

**August 19 (Wednesday)**

Curtis Industries, Inc. — **Common**
(Prescott, Shepard & Co., Inc.) 100,000 shares

**August 24 (Monday)**

Executone Inc. — **Common**
(Shearson, Hammill & Co.) 136,000 shares

**(August 25 Tuesday)**

Pacific Gas & Electric Co. — **Bonds**
(Bids to be invited) $65,000,000

**August 26 (Wednesday)**

Cohu Electronics, Inc. — **Common**
(Offering to stockholders—underwritten by Hayden, Stone & Co. and Winslow, Cohu & Stetson, Inc.) 356,125 shares

Entron, Inc. — **Common**
(Alkow & Co., Inc.) $1,030,000

Matronics, Inc. — **Common**
(Vermilye Brothers) $750,000

Pittsburgh & Lake Erie RR. — **Equip. Tr. Ctfs.**
(Bids to be invited) $3,200,000

Sea View Industries, Inc. — **Debs. & Common**
(Michael G. Kletz & Co., Inc.) $714,000

**August 28 (Friday)**

Great Western Life Insurance Co. — **Common**
(Offering to stockholders—underwritten by G. J. Mitchell Jr. Co. and Purvis & Co.) 500,000 shares

I C Inc. — **Common**
(Purvis & Co. and Amos C. Sudler & Co.) $1,500,000

**September 1 (Tuesday)**

Foto-Video Laboratories, Inc. — **Common**
(Arnold Malkan Co.) $300,000

**September 9 (Wednesday)**

Allied Petro-Chemicals, Inc. — **Common**
(Philadelphia Securities Co., Inc.) $400,000

Community Public Service Co. — **Preferred**
(Bids to be invited) $3,000,000

**September 15 (Tuesday)**

Petrosur Oil Corp. — **Common**
(Simmons & Co. and Michael Horowitz) $620,000

West Florida Natural Gas Co. — **Notes & Common**
(Beil & Hough Inc.) $1,750,000

**September 17 (Thursday)**

Georgia Power Co. — **Bonds**
(Bids to be invited) $18,000,000

*Continued from page 31*

**● Controls Co. of America (8/10)**
July 8 filed 191,703 shares of common stock (par $5). The offering will be made after a 50% common stock distribution to stockholders of record July 24. Of the total, 50,000 shares will be sold for the account of the company and 141,703 shares for the account of a group of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company, with approximately $750,000 earmarked for acquisition of a Canadian plant for the production of motors and solenoids, construction of an addition to a plant at Folcroft, Pa., and acquisition of property and equipment in Arizona for production of rectifiers and other semi-conductor products. Approximately $170,000 will be used to retire notes and $250,000 will be invested in or advanced to a Swiss subsidiary. **Underwriters** — Merrill Lynch, Pierce, Fenner & Smith, Inc. and Lee Higginson Corp., both of New York.

**● Coral Ridge Properties, Inc. (8/5)**
July 8 filed 450,000 shares of $0.60 cumulative convertible preferred stock (no par) and 450,000 shares of class A common stock (no par). The no par preferred is convertible into Class A common on a one for two basis, without additional payment. The $1 par preference stock is convertible into class A common on a 1-for-15 basis, upon payment of $3.33 per share of class A common. **Price**—To be supplied by amendment. **Proceeds**—To repay a mortgage and for general corporate purposes. **Office**—716 North Federal Highway, Fort Lauderdale, Fla. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill., and J. R. Williston & Beane, New York.

**Crowell-Collier Publishing Co. (8/3-7)**
July 2 filed 200,000 outstanding shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

**Crowley's Milk Co., Inc.**
March 26 filed 60,000 outstanding shares of common stock (par $20). **Price**— To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—145 Conklin Ave., Binghamton, N. Y. **Underwriter**—None.

**Crusader Life Insurance Co., Inc.**
June 3 (letter of notification) 1,000 shares of common stock (par $50 ) to be offered for subscription by stockholders of record April 30, 1959, on the basis of one new share for each two shares held. Rights expire Aug. 25, 1959. Unsubscribed shares will be offered to the public. **Price**—$150 per share. **Proceeds**—For working capital. **Office**—640 Minnesota Ave., Kansas City, Kan. **Underwriter**—None.

**Crusader Oil & Gas Corp., Pass Christian, Miss.**
May 26 filed 1,500,000 shares of common stock, of which 641,613 shares will be offered on a one-for-one basis to stockholders of record May 15, 1959. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter** — To be supplied by amendment.

**★ Cubic Corp. (8/17)**
July 17 filed 105,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—95.2% of the proceeds are to be used by the company to repay bank loans, acquire inventories, including electronic test and manufacturing equipment, and for general corporate purposes. 4.8% of the proceeds are to go to Robert V. Werner, a company officer, selling stockholder. **Office**—5575 Kearny Villa Road, San Diego, Calif. **Underwriter**—Hayden, Stone & Co., New York.

**★ Curtis Industries, Inc. (8/19)**
July 17 filed 100,000 shares of outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—1130 E. 222nd St., Euclid, Ohio. **Underwriter** — Prescott, Shepard & Co., Inc., Cleveland, Ohio.

**Development Corp. of America**
April 30 filed 1,376,716 shares of common stock (par $1) reserved for issuance upon conversion of shares of the company's $1.25 cumulative convertible preferred stock received by DCA common stockholders in connection with the recently consummated merger of Real Estate Equities, Inc., into DCA and the plan of reorganization consummated in connection therewith. **Underwriter**—None.

**Development Corp. of America**
June 29 Registered issue. (See Equity General Corp. below.)

**Dexter Horton Realty Co. (7/29)**
June 15 filed $977,500 of limited partnership interests. **Price**—$5,000 per unit. **Proceeds**—For purchase of the Dexter Horton Building in Seattle, Wash. **Office**—19 West 44th St., New York **Underwriters**—Lifton Securities, Inc. and Hechler-Weingrow Securities, Inc., both of New York.

**● Dilbert Leasing & Development Corp. (8/18-20)**
June 11 filed $4,400,000 of 20-year 5½% convertible debentures, due July 15, 1979 and 1,056,000 shares of common stock (par one cent) to be offered in units consisting of $50 principal amount of debentures and 12 shares of common stock. **Price**—$51.20 per unit. **Proceeds**—For repayment of notes; to develop and construct shopping centers and a super-market under existing purchase contracts and for working capital. **Name Changed** — Company formerly known as Dilbert's Properties, Inc. **Office**—93-02 151st Street, Jamaica, N. Y. **Underwriter**—S. D. Fuller & Co., New York.

**Diversified Inc., Amarillo, Texas**
Jan. 6 filed 300,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For acquisition of undeveloped real estate, for organization or acquisition of consumer finance business, and balance to be used for working capital. **Underwriter** — Investment Service Co., Denver, Colo., on a best efforts basis.

**Douglas Microwave, Inc. (8/5)**
July 2 filed 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire loans, to purchase equipment, and to add to working capital. **Office**—252 East Third Street, Mt. Vernon, N. Y. **Underwriter**—Simmons & Co., New York.

**● Dover Hotel Corp., Dover, Del. (7/24)**
June 26 (letter of notification) 149,500 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—For working capital and to retire loans. **Underwriter** — Laird, Bissell & Meeds, Dover, Del. and New York.

**Drexelbrook Associates**
May 22 filed $2,000,000 of partnership interests, to be offered in units. **Price**—$10,000 per unit. **Proceeds**—To be used for various acquisitions. **Office** — Broad & Chestnut Streets, Philadelphia, Pa. **Underwriter**—None.

**★ Dreyfus Fund, Inc.**
July 16 filed (through Dreyfus Corp.) an additional $75,000,000 of Systematic Accumulation Programs. **Proceeds**—For investment. **Office**—2 Broadway, New York.

**★ Dreyfus Fund, Inc.**
July 13 filed 3,000,000 shares of additional capital stock.

**Edwards Steel Corp., Miami, Fla. (8/3-7)**
July 8 filed 140,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To repay loans, to acquire property and equipment, and for working capital. **Underwriter**—Charles Plohn & Co., New York.

**Electric City Supply Co.**
April 6 (letter of notification) 300,000 shares of class A common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For inventory, equipment, working capital, etc **Office**—901 S. Lake Street, Farmington, N. Mex. **Underwriter**—Investment Service Co., Denver, Colo.

**● Electronic Data Processing Center, Inc., Portland, Ore. (8/5)**
June 29 (letter of notification) 17,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To pay an eight-year lease of electronic machines, installation charges and working capital. **Underwriters** — Zilka, Smither & Co., Inc. and Camp & Co., both of Portland, Oregon.

**● Elion Instruments, Inc. (7/27)**
June 26 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and for working capital. **Office**—Bristol, Pa. **Underwriter**—Harrison & Co., Philadelphia, Pa.

**Emery Industries, Inc.**
May 21 filed $6,103,700 of 4¾% convertible subordinated debentures due July 1, 1979, being offered for subscription by common stockholders of record June 5, 1959, at the rate of $100 of debentures for each eight shares of common stock then held; rights to expire on July 31. **Price**—At par. **Proceeds**—To repay outstanding bank loans and for general corporate purposes. **Office**—Carew Tower, Cincinnati, Ohio. **Underwriter**—None.

**● Entron, Inc. (8/26)**
July 13 filed 200,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For purchase of machinery and equipment and for interim financing of coaxial cable television transmission systems. **Office**—4902 Lawrence St., Bladensburg, Md. **Underwriter**—Alkow & Co., Inc., New York.

**Equity Annuity Life Insurance Co.**
April 21 filed $1,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—2480 16th Street, N. W., Washington, D. C. **Underwriter**—None.

**Equity General Corp.**
June 29 filed together with Development Corp. of America, registration statements seeking registration of securities, as follows: Equity General, 500,000 shares of common stock and 149,478 shares of preferred stock; and Development Corp., 500,000 shares of common stock. The Equity Corp. is the owner of 5,343,220 shares of Equity General common stock and proposes to offer 500,000 of such shares to the holders of Equity common in exchange therefor, on a one-for-one basis. Equity General is the owner of 2,399,504 shares of Development Corp. common and proposes to offer 500,000 of such shares to the holders of Equity General common in exchange therefor, on a one-for-one basis. The Board of Directors of Equity General has authorized the issuance of a maximum of 149,478 shares of Equity General preferred stock in exchange for shares of preferred stock of Development Corp., on the basis of one share of Equity General preferred for two shares of Development Corp. preferred. **Office**—103 Park Ave., New York City.

**Executone, Inc. (8/24-28)**
July 15 filed 136,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including additional working capital and the reduction of outstanding indebtedness. **Office**—415 Lexington Avenue, New York. **Underwriter** — Shearson, Hammill & Co., New York.

**Extrudo-Film Corp. (8/3-4)**
July 2 filed 175,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For purchase of machinery and equipment for the Pottsville plant, to pay the principal on a 5% note due Sept. 1, 1960, and the balance will be added to the company's general funds and will be available for general corporate purposes. **Office**—36-35 36th Street, Long Island City, N. Y. **Underwriter**—Maltz, Greenward & Co., New York.

**● Faradyne Electronics Corp., Newark, N. J. (8/5)**
June 23 filed 220,000 shares of common stock (par five cents). **Price**—$6 per share. **Proceeds**—To be used for purchase and construction of machinery and equipment. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

**Fidelity Investment Corp., Phoenix, Ariz.**
June 29 filed 1,799,186 shares of class A common stock, of which 1,700,000 shares are to be offered publicly, and the remaining 99,186 shares have been subscribed for in consideration for services rendered in organizing the company as an incentive to management. The company has agreed to issue to the organizers 200,000 shares of class B common stock; and 100,000 class B shares have been set aside for issuance to keep personnel other than the organizers. **Price**—To public, $3 per share. **Proceeds**—To be applied to pay interest due on properties and to pruchase new properties and for working capital. **Underwriter**—None.

**Florida Water & Utilities Co., Miami, Fla. (8/12)**
July 8 filed 86,000 shares of common stock, of which 65,000 shares are to be offered for public sale for the account of the company and 21,000 shares for the account of two selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be used to reduce indebtedness and increase working capital. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla.

**★ Fortuna Corp.**
July 21 filed 1,000,000 shares of common stock. **Price**—$1.50 per share. **Proceeds**—To complete race plant and for general corporate purposes. **Office** — Albuquerque, N. M. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

**★ Foto-Video Laboratories, Inc. (9/1-4)**
July 15 filed 150,000 shares of class B common stock (par 10 cents). **Price** — $2 per share. **Proceeds** — For general corporate purposes, including the repaying of bank loans, the purchase of new equipment, and for working capital. **Office** — 36 Commerce Road, Cedar Grove, N. J. **Underwriter** — Arnold Malkan & Co., New York.

**Foundation Balanced Fund, Inc.**
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**—J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

**Foundation Stock Fund, Inc.**
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**— J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

**● Gabriel Co. (8/5)**
July 8 filed $2,500,000 of subordinated sinking fund debentures, due June 30, 1974, with warrants for the purchase of 20 common shares for each $1,000 of debentures. **Price**—100% of principal amount of the debentures. **Interest Rate**—To be determined by amendment. **Proceeds**—For capital investment. **Office**—1148 Euclid Avenue, Cleveland, Ohio. **Underwriters**—Prescott, Shepard & Co., Inc., Cleveland, and Carl M. Loeb, Rhoades & Co., New York.

**★ Galen Enterprises, Inc.**
July 7 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For advertising, promotion, office expenses and working capital. **Address**—Box 47, Spokane 10, Wash. **Underwriter**—None.

**General Aniline & Film Corp., New York**
Jan. 14, 1957 filed 426,988 shares of common stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

**General Merchandising Corp., Memphis, Tenn.**
Feb. 18 filed 250,000 shares of class "A" common stock (par one cent). **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — Union Securities Investment Co., Memphis, Tenn. Statement effective April 24.

**● General Time Corp.**
July 8 filed $6,260,700 of convertible subordinated debentures due 1979 to be offered for subscription by common stockholders at the rate of $100 of debentures for each eight shares of stock held. Record date Aug 4, 1959; rights expire Aug. 19, 1959. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company and be used primarily to finance electric transistor system developed by its Stromberg division. **Underwriter**—Kidder, Peabody & Co., New York.

**General Underwriters Inc.**
April 6 (letter of notification) 225,000 shares of common capital stock (par 25 cents). Of the total, 195,000 shares are to be offered for the account of the company and 30,000 shares for a selling stockholder. **Price**—$1 per share. **Proceeds**—For furniture inventory and improved merchandising methods, to finance the real estate department and insurance policy loans. **Office**—211-215 Pine St., Pine Bluff, Ark. **Underwriter**—Lovan Securities Co., Inc., Pine Bluff, Ark.

**Georgia International Life Insurance Co., Atlanta, Ga. (8/4)**
June 30 filed 1,665,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capi-

ital and surplus. **Underwriters**—The Robinson-Humphrey Co., Inc., Atlanta, Ga., and The Johnson Lane, Space Corp., Atlanta, Ga.

**Government Employees Variable Annuity Life Insurance Co.**
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held (1,-834,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held (as of Dec. 31, 1958 there were 143,703 shares of stock outstanding and $589,640 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,733 common shares would be outstanding. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Bldg., Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass. **Offering**—Indefinitely postponed.

**Great Western Life Insurance Co. (8/28)**
June 29 filed 500,000 shares of common stock and options to purchase 200,000 additional shares of outstanding stock, to be offered in units, each consisting of five shares of common stock and an option to purchase two additional shares, the units to be offered for subscription by holders of the 1,500,000 outstanding common shares at the rate of one unit for each 15 shares held on or about Aug. 28, 1959; rights to expire on or about Sept. 28, 1959. The options evidence the right to purchase the 200,000 outstanding shares owned by Great Western Building & Loan Corp. **Price**—To be supplied by amendment. **Proceeds**—For loan to the subsidiary (Great Western Building & Loan Corp.); and the balance will be used to increase capital and surplus. **Office**—101-111 N. W. Second St., Oklahoma City, Okla. **Underwriters**—G. J. Mitchell, Jr. Co., Washington, D. C.; and Purvis & Co., Denver, Colo.

**Growth Fund of America, Inc.**
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office** — 1825 Connecticut Avenue, Washington, D. C. **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C.

**Hancock (J. W.) Inc.**
June 25 filed 200,000 shares of 6% cumulative convertible preferred stock (par $2) and 100,000 shares of common stock (par 10 cents). The company proposes to offer 200,000 preferred shares and 50,000 shares of the common in units consisting of 4 shares of preferred and one share of common. The remaining 50,000 shares of common stock are to be offered to holders of outstanding 4% subordinated debentures at the rate of one share for each $.50 face amount of such debentures surrendered for cancellation. **Proceeds**—To be used for working capital and general corporate purposes. **Underwriters**—Kenneth Kass, Nassau Securities Service and David Barnes & Co., Inc., all of New York; and Palin Securities, West Orange, N. J.

**Hathaway Industries, Inc.**
June 9 filed 300,000 outstanding shares of common stock. These shares are part of the 672,990 shares (53.43%) held by Seaboard Allied Milling Corp. Seaboard plans to offer 100,000 shares for sale to the business associates and employees of Hathaway Industries at $6 per share. In addition, Seaboard may wish to sell publicly the remaining 200,000 shares, or a portion thereof, on the American Stock Exchange, or otherwise, at prices current at the time of such sales. **Proceeds**—To selling stockholder, Seaboard Allied Milling Corp. **Office**—Hathaway St., Syracuse, N. Y. **Underwriter**—None.

**Heartland Development Corp.**
June 24 filed 22,820 shares of 5% convertible preference stock (par $12). **Price**—Par. **Proceeds**—For general corporate purposes. **Office**— 40 Beaver Street, Albany, N. Y. **Underwriter**—None.

**Heliogen Products, Inc.**
Oct. 22, 1958 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office**—35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., 11 Broadway, New York 4, N. Y. **Offering**—Expected in September.

**Hemisphere Gas & Oil Corp.**
April 27 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil and gas properties. **Office**—702 American Bank Building, Portland 5, Ore. **Underwriter**—D. Earle Hensley Co., Inc., 4444 California Avenue, Seattle, Wash.

★ **Hewlett-Packard Co.**
July 21 filed $1,000,000 of Interests In Employee Stock Purchase Plans, together with 25,000 shares of capital stock which may be purchased pursuant thereto **Office**—Palo Alto, Calif.

● **Hexcel Products, Inc. (8/4)**
June 26 filed 50,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Office**—Berkeley, Calif. **Underwriter**—F. S. Smithers & Co., San Francisco and New York.

**Hickerson Bros. Truck Co., Inc. (7/30)**
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O. Box 68, Great Bend, Kan. **Underwriter**—Birkenmayer & Co., Denver, Colo.

**Highway Trailer Industries, Inc.**
June 9 filed 1,105,294 shares of common stock to be offered for subscription by present stockholders at the rate of one new share for each two shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To be used for new equipment and plant improvement; to be used for inventory and production requirements of the Hazleton, Pa., plant and the increased production of the Edgerton, Wis., plant; and for discharge of bank loan and other corporate purposes. **Office**—250 Park Ave., New York, N. Y. **Agents**—Van Alstyne, Noel & Co., of New York.

● **Hofman Laboratories, Inc. (7/29)**
June 12 (letter of notification) 50,000 shares of common stock (par 25 cents). **Price**—$6 per share. **Proceeds**—To retire a loan from Hillside National Bank and for general corporate purposes. **Office** — 5 Evans Terminal, Hillside, N. J. **Underwriter**—Myron A. Lomasney & Co., New York, N. Y.

● **Holmes (D. H.) Co. Ltd.**
June 5 filed 14,780 shares of capital stock being offered to present stockholders on the basis of one new share for each 14 shares held of record July 10, 1959. Rights expire July 28, 1959. **Price**—$37.50 per share. **Proceeds**—For expansion program, for working capital and other corporate purposes. **Office**—New Orleans, La. **Underwriter**—Arnold & Crane, New Orleans.

**Honolulu Construction & Draying Co., Ltd.**
June 16 filed 25,000 shares of common stock, to be offered for subscription by stockholders of record April 30, 1959, on the basis of one new share for each five shares then held. Rights to expire on or about July 30. **Price**—$40 per share. **Proceeds**—To be applied to repayment of bank loans and for company's capital expenditure program and investment. **Office**—Honolulu, Hawaii. **Underwriter**—None.

★ **Horizon Land Corp. (8/3-7)**
July 1 filed 300,000 shares of common stock (par 1¢). **Price**—$1 per share. **Proceeds**—For land acquisitions, working capital, and general corporate purposes. **Office**—Arizona Land Title Bldg., Tucson, Arizona. **Underwriter**—Ross, Lyon & Co., Inc., New York.

**Hotel Corp. of Israel**
July 13 filed 39,000 shares of common stock (par $5) and $1,560,000 of 6% subordinated debentures, due Aug. 1, 1974. **Price**—$1,500 per unit, consisting of 30 common shares at $10 per share and $1,200 of debentures at par. **Proceeds**—To purchase, complete, and furnish various properties and for general corporate purposes. **Office**—11 South La Salle St., Chicago, Ill. **Underwriter**—None.

● **Hudson Radio & Television Corp. (8/3-7)**
June 8 filed 200,000 shares of capital stock, of which 125,000 shares are to be offered for the account of the company and 75,000 shares for the account of a selling stockholder. **Price**—$5 per share. **Proceeds**—To be utilized in reduction of obligations, the acquisition and/or development of additional inventory lines, warehousing facilities and sales outlets; the adoption of various sales promotional programs, and as additional working capital. **Office**—37 West 65th St., New York, N. Y. **Underwriter**—J. A. Winston & Co., Inc. and Netherlands Securities Co., Inc.

● **Hugh W. Long & Co., Inc.**
July 15 filed 280,000 shares of outstanding class B common stock (par 50 cents). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Elizabeth, N. J. **Underwriter** — Clark, Dodge & Co., New York.

● **Hunter Mountain Development Corp., Hunter, N. Y. (7/23)**
June 5 filed $690,000 of 6% subordinated debentures due July 1, 1969, and 69,000 shares of common stock (par 10 cents) to be offered in units, each unit consisting of a $50 debenture and 5 shares of common stock. **Price**—$50 per unit. **Proceeds** — For purchase of equipment, for building of lodge, and for other corporate purposes. **Underwriter**—Myron A. Lomasney & Co., New York.

**I C Inc. (8/28)**
June 29 filed 600,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—To further the corporate purposes and in the preparation of the concentrate and enfranchising of bottlers, the local and national promotion and advertising of its beverages, and where necessary to make loans to such bottlers, etc. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriters**— Purvis & Co. and Amos C. Sudler & Co., both of Denver. Colo.

**Independent Telephone Corp.**
June 29 filed 13,080 shares of 5% cumulative convertible preferred stock, series A ($10 par), and 806,793 shares of common stock, together with warrants for the purchase of 50,000 common shares. According to the prospectus, 80,000 common shares are to be offered to nine payees of non-assignable convertible notes outstanding in the amount of $500,000 for conversion of such notes into common shares at a conversion price of $6.25 per share. The 13,080 preferred shares and 8,175 common shares are to be offered in exchange for the outstanding 327 shares of common stock of Farmers Union Telephone Co., a New Jersey corporation, on the basis of 40 shares of preferred and 25 shares of common for each share of common capital stock of Farmers Union. The issuing company further proposes to offer 96,604 common shares to holders of its outstanding stock of record June 30, 1959, for subscription at $6.25 per share on the basis of one new share for each two shares then held. **Proceeds**—For working capital. **Office**—25 South St., Dryden, N. Y. **Underwriter**—None.

**Industrial Plywood Co., Inc., Jamaica, N. Y.**
June 25 filed 60,000 shares of 6% cumulative preferred stock ($10 par—convertible until Aug. 31, 1969), with common stock purchase warrants. Each share of preferred will have one "A" and one "B" warrant attached, entitling the holder to purchase one share of common (for each two "A" warrants) at $12 per share, expiring June 30, 1961; and for each two "B" warrants held at $14 per share, expiring June 30, 1961. **Price** — $10 per share. **Proceeds**—Toward reduction of short-term bank loans; to liquidate long-term debt; and the balance for additional working capital. **Underwriters** — Standard Securities Corp., Irving Weis & Co., and J. A. Winston & Co., Inc., all of New York; Bruno-Lenchner Inc., Pittsburgh, Pa.; Netherlands Securities Co., Inc., New York; and Plymouth Bond & Share Corp., Miami, Fla.

**International Bank, Washington, D. C.**
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds** — For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Offering**—Indefinitely postponed.

● **International Railroads Weighing Corp.**
April 16 (letter of notification) 82,626 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one new share for each four shares held on June 1, 1959. Rights expire on Aug. 14, 1959. **Price**—$3 per share. **Proceeds**—For research and development costs and working capital. **Office**—415 Spruce St., Hammond, Ind. **Underwriter**—None.

**International Tuna Corp. (8/12)**
April 3 (letter of notification) 175,000 shares of class A common stock (par 50 cents). **Price** — $1 per share. **Proceeds**—For equipment and working capital. **Office**—Pascagoula, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

**Interstate Life & Accident Insurance Co. (8/3-17)**
June 26 filed 350,000 outstanding shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—540 McCallie Ave., Chattanooga, Tenn. **Underwriter**—Equitable Securities Corp., Nashville and New York.

**Investors Funding Corp. of New York**
Feb. 17 filed $500,000 of 10% subordinated debentures due July 31, 1964, to be offered in units of $1,000. **Price**—At 100% of principal amount. **Proceeds**—For investment. **Office**—511 Fifth Ave., New York, N. Y. **Underwriter**—None.

**Irando Oil & Exploration, Ltd.**
April 24 filed 225,000 shares of common stock. **Price**—90 cents per share. **Proceeds**—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. **Office**—1950 Broad St., Regina, Sask., Can. **Underwriter** — Laird & Rumball, Regina, Sask., Can.

● **Jamaica Development Co., Inc.**
June 15 filed 105,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To be used for the purchase of land, cattle, machinery and equipment, fishing lodge, and development expense. **Office** — 1841 North Meridian St., Indianapolis, Ind. **Underwriter**—None.

● **Jefferson Wire & Cable Corp. (8/5)**
May 27 filed 100,000 shares of common stock (no par). **Price**—$3.75 per share. **Proceeds** — To pay off various indebtedness, for purchase of machinery, equipment and raw materials, for plant facilities, for sales promotion, and for working capital. **Office**—Sutton, Mass. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

**Kaiser Aluminum & Chemical Corp.**
May 11 filed 64,028 shares of 4¾% cumulative convertible (1959 series) preference stock (par $100) and 128,-051 shares of common stock (par 33⅓ cents) issued in exchange for the outstanding stock of Mexico Refractories Co. through merger. **Proceeds**—To selling stockholders. **Underwriter**—None. Statement effective June 5.

**Kilroy (W. S.) 1960 Co.**
June 8 filed $3,500,000 of Participating Interests under Participant Agreements in the company's 1960 Oil and Gas Exploration Program, to be offered in amounts of $25,000 or more. **Proceeds**—Acquisition of undeveloped oil and gas properties. **Office**—2306 Bank of the Southwest Bldg., Houston Texas. **Underwriter**—None.

★ **Kinsman Manufacturing Co., Inc.**
July 16 (letter of notification) $200,000 of 6¼% convertible subordinated debentures due April 1, 1974. **Price**—At face amount. Each $1,000 debenture convertible into 700 shares of common stock at $1.42 6/7 per share. **Proceeds**—For working capital. **Office**—54 Mill St., Laconia, N. H. **Underwriter**—Tucker, Anthony & R. L. Day, Boston, Mass.

**Laure Exploration Co., Inc., Arnett, Okla.**
April 30 filed (by amendment) 2,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For machinery and equipment and exploration purposes. **Underwriter**—None.

**La Voz Publishing Co.**
June 16 (letter of notification) 2,000 shares of class A common stock. **Price**—At par. **Proceeds**—For expenses for promotion and publication of the newspaper "La Voz." **Office**—1831 Wallace St., Philadelphia, Pa. **Underwriter**—None.

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**● Lease Plan International Corp. (8/12)**
July 10 filed 140,000 shares of common stock (par $1), of which 70,000 shares will be sold for the company's account and 70,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—The company will use its share of the proceeds to increase working capital. **Office**— 7 Central Park West, New York. **Underwriter**—Hayden, Stone & Co., New York.

**★ Leeds Travelwear, Inc.**
July 21 filed 262,500 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness and for general corporate purposes. **Office**—New York City. **Underwriter** — Auchincloss, Parker & Redpath, New York.

**● Lieco Inc. (8/3-7)**
June 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For machinery and laboratory equipment; for consolidation of operations in one plant; for retirement of corporate debts and for working capital. **Office**—47 Bergen St., Brooklyn, N. Y. **Underwriter**—Netherlands Securities Co., Inc., and J. A. Winston & Co., Inc., New York, N. Y.

**Lifetime Pools Equipment Corp., Renovo, Pa.**
June 1 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For purchase of machinery and equipment; advertising and working capital. **Underwriter**—First Washington Corp., Pittsburgh, Pa.

**Lifter Properties, Inc.**
June 29 (letter of notification) 100,000 shares of common stock (par five cents). **Price**—$3 per share. **Proceeds**—For expenses for acquisition and operation of Motels and Motel properties. **Office**—One Lincoln Road, Building 9, Miami Beach, Fla. **Underwriter**—None.

**★ Locke Steel Chain Co.**
July 9 (letter of notification) not to exceed 500 shares of common stock (par $5). **Price**—At the market of the American Stock Exchange. **Proceeds**—To pay pro rata to stockholders in lieu of fractional shares resulting from a stock split. **Office** — 1085 Connecticut Ave., Bridgeport, Conn. **Underwriter**—None.

**Loomis-Sayles Fund of Canada Ltd.**
July 6 filed 800,000 shares of common stock, to be offered initially at $25 per share through Loomis, Sayles & Co., Inc., to clients, officers, directors and employees of the latter. The shares also are to be offered to shareholders of Loomis-Sayles Mutual Fund, Inc., of record July 15, 1959. After July 31, 1959, the offering price will be net asset value. After Sept. 15, 1959, shares will be offered only to shareholders of Loomis, Sayles & Co., Inc., and its affiliated companies. **Proceeds**—For investment.

**★ Lumberman's Acceptance Co.**
July 13 (letter of notification) 2,000 shares of $7.20 preferred cumulative series A common stock. **Price** — At par ($100 per share). **Proceeds** — For working capital. **Office**—306 Mendocino Ave., Santa Rosa, Calif. **Underwriter**—None.

**Magnuson Properties, Inc. (7/29)**
June 26 filed 500,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—$443,071 is to be expended during the period ending Aug. 31, 1960, for mortgage payments and releases; $465,000 will be paid on notes acquired by members of the Magnuson family in the transfers of subsidiaries and properties to the company; $350,000 will be used to pay off an existing loan secured by a mortgage on the Florida Shores properties in Edgewater, Fla., and an assignment of a lot contract receivable; about $150,000 for the construction of the first four stories of the company's proposed office building in Miami (the balance estimated at $150,000 will be secured by a mortgage on the building), and $93,200 to close certain options and purchase contracts covering lands in the Melbourne-Cape Canaveral area. The balance will be added to the company's general funds and will be available, together with funds received from payments on lot sales, principally for the development of the Palm Shores properties (at Eau Gallie) and for further acquisitions, and for use as working capital. **Office**—20 S. E. 3rd Ave., Miami, Fla. **Underwriter**—Blair & Co., Inc., New York.

**Matronics, Inc. (8/26)**
June 29 filed 200,000 shares of capital stock (par 10¢). **Price**—$3.75 per share. **Proceeds**—For sales promotion, production test equipment, research and development, demonstrators for special systems, receivables, inventories, prepayment of notes and other purposes. **Office**—558 Main St., Westbury, L. I., N. Y. **Underwriter**—Vermilye Brothers, New York.

**Maturizer Co.**
June 1 (letter of notification) $250,000 of 6% convertible subordinated debentures due July 1, 1964, and convertible into units of common stock which consist of one share of class A, voting, and three shares of class B, non-voting stock at $40 per unit. **Proceeds**—To purchase machinery and equipment and for working capital. **Address**—P. O. Box 755, Norman, Okla. **Underwriter**—None.

**★ Meadows of Nevada, Inc.**
June 29 (letter of notification) 30,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — To purchase real property. **Office** — 111 Sutter St., Suite 2221, San Francisco, Calif. **Underwriter**—None.

**Medearis Industries, Inc.**
May 14 filed 200,000 shares of common stock (par 20 cents). **Price**—$3.75 per share. **Proceeds**—For general corporate purposes. **Office** — 42 Broadway, New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York.

**Meg Products Co., Inc.**
June 24 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For inventories, machinery and equipment, retire existing loan and promissory notes and additional working capital. **Office** — 3340 W. El Segundo Blvd., Hawthorne, Calif. **Underwriter**—First Angeles Corp., Beverly Hills, California.

**Mercantile Acceptance Corp. of California**
May 15 (letter of notification) $80,000 of 12-year 5½% capital debentures. **Price**—At face amount. **Proceeds**—For working capital. **Office** — 333 Montgomery Street, San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

**★ Michigan Bell Telephone Co. (8/11)**
July 21 filed $30,000,000 of 35-year debentures, due Aug. 1, 1994, to be offered for public sale at competitive bidding. **Price**—To be supplied by amendment. **Office**—Detroit, Mich. **Proceeds**—It is expected that about $25,000,000 of the proceeds will be used to repay advances from the American Telephone and Telegraph Co., and that the remainder will be used for general corporate purposes, including construction. **Probable bidders**—Halsey, Stuart & Co. Inc., and Morgan Stanley & Co., both of New York.

**● Micronaire Electro Medical Products Corp. (8/3-7)**
June 1 filed 200,000 common shares (par 10 cents) and 50,000 one-year warrants for the purchase of common stock, to be offered for public sale in units of 100 shares of common stock and 25 warrants. The registration also includes an additional 200,000 three-year warrants, exercisable at $3, of which 150,000 have been issued to certain stockholders and employees. **Price**—$275 per unit. **Proceeds**—To discharge indebtedness; for expansion of sales efforts; and for working capital. **Office**—79 Madison Ave., New York. **Underwriter** — General Investing Corp., New York.

**★ Microsonics, Inc. (7/29)**
July 9 (letter of notification) 61,000 shares of common stock (no par). **Price**—$2.50 per share. **Proceeds**—For additional test equipment, inventory and working capital. **Office**—Hingham Industrial Center, Hingham, Mass. **Underwriter**—Lee Co., New York, N. Y.

**Microwave Electronics Corp.**
July 2 filed $500,000 of 10-year 5% subordinated debentures due July 1, 1969 together with 250,000 shares of common stock (par 10 cents) to be offered in units of $10,000 principal amount of debentures and 5,000 common shares. An additional 138,000 shares may be issued in connection with the company's restricted stock option plan. **Price**—$10,500 per unit. **Proceeds**—To purchase machinery, equipment and other fixed assets, for operating expenses, and the remainder for working capital. **Office**—4061 Transport St., Palo Alto, Calif. **Underwriter**—None.

**Mid-America Minerals, Inc.**
June 22 filed $921,852 of Working Interests and Overriding Royalty Interests in 26 oil and gas leases covering lands in Green and Taylor Counties, Kentucky, some of the interest being producing interests and some nonproducing. The offering is to be made initially to participants in the Mid-America Minerals, Inc., 1959 Fund. **Price**—$2,221.33 per smallest unit. **Proceeds**—For investment in oil and gas lands. **Office**—Mid-America Bank Bldg., Oklahoma City, Okla. **Underwriter**—None.

**M. & S. Oils Ltd.**
May 11 filed 390,000 shares of capital stock. **Price**—60 cents per share. **Proceeds** — For exploration, development and acquisitions. **Office**—5 Cobbold Block, Saskatoon, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., Regina, Saskatchewan, Canada.

**● Narda Microwave Corp. (8/3-7)**
June 16 filed 50,000 shares of common stock (par 10 cents) and 50,000 warrants to be offered in units, consisting of one share of common stock with attached warrant entitling the holder to purchase one additional share. The statement also includes an additional 10,000 shares of common stock reserved for issuance to key employees pursuant to options. **Price**—To be supplied by amendment. **Proceeds** — To be used to retire bank loans. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

**★ National Beryl & Mining Corp., Estes Park, Colo.**
July 6 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

**● National Citrus Corp.**
April 20 (letter of notification) 150,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For new equipment, inventory and working capital. **Address**—P. O. Box 1658, Lakeland, Fla. **Underwriter**—R. F. Campeau Co., Inc., Detroit, Mich. **Offering**—Expected in August.

**★ National Packaging Corp. (8/5)**
July 10 (letter of notification) 32,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To purchase machinery and equipment, raw materials, inventory and for working capital. **Office** — 3002 Brooklyn Ave., Fort Wayne, Ind. **Underwriter**—First Securities Corp., 510 Lincoln Tower, Fort Wayne, Ind.

**National Sports Centers, Inc.**
July 2 filed $1,000,000 of 6% convertible income debentures cumulative due 1969, series C, and 100,000 common stock purchase warrants. **Price** — 100% of principal amount. **Proceeds**—To be used for completion of and/or payment of certain bowling alley and other properties, and the balance will be added to the company's general funds available for development of properties and the acquisition and development of additional bowling properties. **Office**—55 Broadway, New York. **Underwriter**—General Investing Corp., New York.

**Nationwide Small Business Capital Investing Corp.**
April 24 filed 500,000 shares of capital stock (par 50 cents). **Price** — $1 per share. **Proceeds** — For working capital and investments. **Office**—Hartsdale, N. Y. **Underwriter**—None.

**Naylor Engineering & Research Corp.**
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif., has withdrawn as proposed underwriter.

**Nedow Oil Tool Co.**
May 5 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—To acquire fishing tools for leasing; and for working capital. **Address**—P. O. Box 672, Odessa, Texas. **Underwriters**—To be designated.

**New Pacific Coal & Oils Ltd.**
June 11 filed 1,265,000 shares of common stock, of which 1,000,000 shares will be offered for the account of the company; 100,000 shares will be offered for the account of a selling stockholder (Albert Mining Corp. Ltd.); and the remaining 165,000 will be paid as additional compensation to brokers and dealers. **Price**—Related to the then current market price on the American Stock Exchange. **Proceeds**—To repay bank loans, for development of properties, and for general corporate purposes. **Office**—145 Yonge Street, Toronto, Canada. **Underwriter**—None.

**● New York Capital Fund of Canada, Ltd., Toronto (8/6)**
June 30 filed 1,000,000 shares of common stock (par 34 cents). **Price**—At net asset value, plus underwriting discounts and commissions. **Proceeds**—For investment. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

**★ Nord Photocopy & Business Equipment Corp.**
July 21 filed 100,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To reduce bank debts and for general corporate purposes. **Office**—New Hyde Park, L. I., New York. **Underwriter**—Myron A. Lomasney & Co., New York.

**North American Acceptance Corp.**
April 29 (letter of notification) $300,000 of 6% 10-year subordinated debentures to be offered for subscription by stockholders in denominations of $100, $500 and $1,000 each. Rights will expire July 31, 1959. **Price**—At par. **Proceeds**—For working capital. **Office**—Suite 487, 795 Peachtree Street, N. E., Atlanta, Ga. **Underwriter**—None.

**North Hills Electric Co., Inc. (7/27-31)**
July 1 (letter of notification) 150,000 shares of common stock (par one cent) to be offered on an all or none basis. **Price**—$2 per share. **Proceeds**—To pay bank loans, redeem outstanding preferred stock, purchase additional equipment, build inventories and add to working capital. **Underwriter**—D. F. Bernheimer & Co., Inc., New York.

**Northern States Power Co.**
June 9 filed 952,033 shares of common stock being offered for subscription by common stockholders of record about July 23 on the basis of one new share for each 15 shares held; rights to expire on Aug. 11, 1959. **Price**—$22 per share. **Proceeds**—For construction program expenditures, including the payment of any then existing bank loans (estimated at $14,000,000). **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Inc.

**● Northrop Corp. (7/28)**
June 15 filed $10,000,000 of convertible subordinated debentures due July 1, 1979. **Price** — To be supplied by amendment. **Proceeds**—For working capital and other corporate purposes. **Office** — 9744 Wilshire Boulevard, Beverly Hills, Calif. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; and Blyth & Co., Inc., New York.

**● Northwest Defense Minerals, Inc., Keystone, S. Dak. (7/29)**
May 4 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploring and recovering strategic metals and producing same. **Underwriter**—Caldwell Co., 26 Broadway, New York, N. Y.

**● Oil, Gas & Minerals, Inc.**
April 2 filed 260,000 shares of common stock (par 35 cents. **Price**—$2 per share. **Proceeds**—To retire bank loans and for investment purposes. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter** — Lindsay Securities Corp., New Orleans, La.

**Olson Construction Co.**
July 29 (letter of notification) $300,000 of 6% subordinated coupon debentures due July 1, 1964 to be offered in denominations of $1,000 each. **Price**—At face amount. **Proceeds** — For working capital. **Office** — 410 S. 7th Street, Lincoln, Neb. **Underwriter** — Ellis, Holyoke & Co., Lincoln, Neb.

**Oreclone Concentrating Corp., New York, N. Y.**
May 20 filed 200,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds** — For repayment of outstanding obligations and for working capital. **Underwriter**—Investment Bankers of America, Inc., Washington, D. C.

**● Owens Yacht Co., Inc. (8/7)**
July 2 filed 300,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—Stansbury Road, Dundalk, Baltimore, Md. **Underwriter**—Shields & Co., New York.

**Pacific Power & Light Co. (8/5)**
July 7 filed $10,996,000 of covertible debentures, to be offered on the basis of $100 principal amount of debentures for each 40 shares of common stock held of

record Aug. 5, 1959; rights to expire on or about Aug. 25, 1959. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); Ladenburg, Thalmann & Co.; Lehman Brothers, Bear Stearns & Co., Eastman Dillon, Union Securities & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received on Aug. 5.

**● Pall Corp. (7/27-8/7)**
June 25 filed $750,000 of 5½% subordinated convertible debentures, due July 1, 1974, and 40,000 outstanding shares of class A stock. The 40,000 shares of class A stock will be sold for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To liquidate short-term bank loans; to retire $115,000 of 7½% debenture bonds and $15,000 of 8% debenture bonds; to be applied to repayment of loans owing to principal stockholders on open account; chattel mortgages on machinery will be retired; and for working capital. **Office**—30 Sea Cliff Ave., Glen Cove, L. I., N. Y. **Underwriters** — L. F. Rothschild & Co., Paine, Webber, Jackson & Curtis, and Hayden, Stone & Co., all of New York.

**● Pan American World Airways, Inc. (7/29)**
June 29 filed $46,962,100 of convertible subordinated debentures due 1979, to be offered on a basis of $100 of debentures for each 14 shares of capital stock held on July 29, 1959; rights to expire on Aug. 12. **Price**—To be supplied by amendment. **Proceeds** — To be used as an addition to working capital, or as a portion of the funds required in connection with the acquisition of jet-powered aircraft, including all cargo aircraft and related flight and ground equipment, or both. **Underwriters**—Lehman Brothers and Hornblower & Weeks, both of New York.

**● Park Drop Forge Co. (7/24)**
June 25 filed 43,500 outstanding shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — 777 East 79th St., Cleveland, Ohio. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

**Participating Annuity Life Insurance Co.**
June 4 filed $2,000,000 of variable annuity policies. **Proceeds** — For investment. **Office** — Hathcock Building, Fayetteville, Ark. **Underwriter**—None.

**Peckman Plan Fund, Inc., Pasadena, Calif.**
May 19 filed 20,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

**Pennsylvania Electric Co. (8/4)**
June 15 filed $15,000,000 of first mortgage bonds due Aug. 1, 1989. **Proceeds** — Will be applied to repayment of short-term bank loans incurred for construction purposes, and for 1959 construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 4 at the offices of General Public Utilities Corp., 67 Broad St., New York 4, N. Y.

**★ Petrosur Oil Corp. (9/15)**
July 15 filed 100,000 shares of common stock (par 10 cents) and 100,000 shares of 6% cumulative convertible preferred stock (par $5). **Price**—$6.20 per unit, each unit consisting of one share of common at $5 and one share of preferred at $1.20. **Proceeds**—From the sale of the common stock to Petrosur for working interests in oil and gas leases; from the sale of the preferred stock to Creole Explorations, Inc., the selling stockholder. **Office**—161 E. 42nd Street, New York. **Underwriters**—Simmons & Co., and Michael Horowitz, both of New York.

**Philippine Oil Development Co., Inc.**
April 10 filed 221,883,614 shares of capital stock, being offered for subscription by holders of outstanding stock at the rate of one new share for each two shares held. Record date June 2, 1959; right expire July 31, 1959. **Price**—1¾ cents per share. **Proceeds**—For working capital. **Office**—Soriano Building, Plaza Cervantes, Manila (P. I.). **Underwriter**—None.

**Phototronics Corp., College Point, L. I., N. Y.**
June 9 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—Purchase and installation of machinery; electronic and optical test equipment; purchase and installation of fixtures and for working capital. **Office** — c/o McNabb, Sommerfield & James, 40 Exchange Place, New York, N. Y. **Underwriter**—M. H. Woodhill, Inc., New York, N. Y.

**Piedmont Aviation, Inc.**
May 6 (letter of notification) 81,714 shares of common stock (par $1) being offered to stockholders at the rate of 1/14 of a share for each share held as of May 22, 1959. Rights to expire on June 30, 1959. **Price** — $3.50 per share. **Proceeds**—For working capital. **Address**—Smith Reynolds Airport, Winston-Salem, N. C. **Underwriter**—None.

**● Pioneer Finance Co. (8/3-7)**
July 13 filed $1,000,000 of subordinated capital debentures due Aug. 1, 1971 (with warrants). The securities are to be offered for public sale in units, each consisting of $1,000 principal amount of debentures and a warrant entitling the holder to buy 75 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—1400 National Bank Bldg., Detroit, Mich. **Underwriters**—White, Weld & Co., New York, and Watling, Lerchen & Co., Detroit.

**Plastic Wire & Cable Corp.**
June 5 filed 40,000 shares of common stock (par $5) being offered for subscription by holders of outstanding stock at the rate of one new share for each five shares held on July 7; rights to expire on July 27. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding bank loans, for construction expenditures and for other corporate purposes. **Underwriter**—Putnam & Co., Hartford, Conn.

**★ Pomona Tile Manufacturing Co.**
July 6 (letter of notification) 1,500 shares of common stock (par $1) to be offered to officers and key employees. **Price**—At the market. **Office**—621-633 N. La-Brea, Los Angeles 36, Calif. **Underwriter**—None.

**★ Prairie Petroleum, Inc.**
July 14 (letter of notification) 1,197,200 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses of exploring and developing of oil and gas properties. **Office**—Patterson Bldg., Denver, Colo. **Underwriter**—None.

**Pressed Metals of America, Inc.**
April 17 filed 90,000 outstanding shares of common stock. **Proceeds**—To selling stockholders. **Office**—Port Huron, Mich. **Underwriter**—None. Statement effective June 10.

**Producers Fire & Casualty Co., Mesa, Ariz.**
March 31 filed 400,000 shares of common stock to be offered for subscription by holders of stock purchase rights acquired in connection with life insurance policies issued by Dependable Life Insurance Co. and to certain agents and brokers of Producers Fire & Casualty Co. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

**★ Professional Securities Corp.**
July 10 (letter of notification) 263 shares of common stock (par $100). **Price**—$117 per share. **Proceeds**—For working capital. **Office** — 1350 Woodswether Road, Kansas City, Mo. **Underwriter**—None.

**★ Provident Security Life Insurance Co.**
June 30 (letter of notification) 50,000 shares of common stock (par $1) to be offered to the policyholders of this company and of the Provident Security Insurance Co. **Price**—$6 per share. **Proceeds**—To increase capital and surplus. **Office**—40 E. Thomas Road, Phoenix, Ariz. **Underwriter**—None.

**Public Service Co. of New Hampshire (7/23)**
June 24 filed 396,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To be applied to reduction of short-term bank loans. **Underwriter**—Kidder, Peabody & Co., and Blyth & Co., Inc., both of New York, N. Y.

**Public Service Co. of New Hampshire (7/29)**
June 24 filed $8,000,000 of first mortgage bonds, series K, due 1989. **Proceeds**—To be applied to reduction of short-term bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler. **Bids**—To be received until 11 a.m. (EDT) on July 29.

**Radar Design Corp., Syracuse, N. Y.**
May 26 filed 120,000 shares of common stock ($1 par). **Price**—$3 per share. **Proceeds** — To liquidate notes and mortgages, and for new equipment and working capital. **Underwriter**—Charles Plohn & Co., New York. Statement withdrawn.

**Radinsky Investment Co.**
June 1 filed 100,000 shares of common stock (par $1). Each purchaser of stock is entitled to receive one stock purchase warrant for each five shares of stock acquired. The warrants will entitle the holder to acquire one share of common for each five shares of stock acquired. **Price**—$2 per share. **Proceeds**—For working capital. **Office**—2000 W. Colfax Ave., Denver, Colo. **Underwriters** — Amos C. Sudler & Co., and Purvis & Co., both of Denver, Colo. **Offering**—Expected in August.

**Rad-O-Lite, Inc.**
July 8 filed 300,000 shares of common stock (par 25¢). **Price** — $1.50 per share. **Proceeds** — For general corporate purposes. **Office**—1202 Myrtle St., Erie, Pa. **Underwriter**—John G. Cravin & Co., New York. **Offering**—Expected in September.

**★ Raub Electronics Research Corp. (8/12)**
July 15 filed 165,000 shares of common stock of which 150,000 shares will be offered to the public. **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—1029 Vermont Avenue, N. W., Washington, D. C. **Underwriter**—Weil & Co., Washington, D. C.

**Raytherm Corp. (7/28)**
June 29 filed 150,000 shares of common stock, of which 118,000 shares are to be offered for the company's account and the remaining 32,000 shares are to be offered for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — To retire bank loans, to expand plant capacity and research facilities through purchase of machinery and equipment and through leasehold improvements; and the balance for working capital. **Office**—Oakside at Northside, Redwood City, Calif. **Underwriters**—Blyth & Co., Inc., San Francisco and New York; and Schwabacher & Co., San Francisco, Calif.

**Republic Resources & Development Corp.**
June 29 filed 1,250,000 unit shares of capital stock. **Price**—$2 per share. **Proceeds**—To be used in the company's oil exploration program for the purchase of oil exploration and drilling equipment, supplies and materials; to contract with U. S. geophysical contractors for technical services; and to pay its pro rata shares of the dollar exploration expenses under its agreement with three other companies for joint exploration of concessions held in the Philippines. **Office** — 410 Rosario St., Binondo, Manila, Philippines. **Underwriter**—John G. Cravin & Co., Inc., New York. **Offering**—Expected in September.

**Richwell Petroleum Ltd., Alberta, Canada**
June 26, 1958 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter**—Pacific Securities Ltd., Vancouver, Canada.

**Ritter (P. J.) Co., Bridgeton, N. J.**
June 18 filed 4,827 shares of preferred stock, non-cumulative, voting, (par $100) and 60,018 shares of common stock (no par) to be offered to the holders of preferred and common stock of Brooks Foods, Inc., at the rate of one share of Ritter preferred stock for each share of preferred stock of Brooks and two shares of common stock of Ritter for each share of common stock of Brooks. The exchange offer is being made by Ritter in accordance with its agreement with Brooks and certain of its stockholders who own an aggregate of 18,808 shares of its outstanding common stock, or approximately 62.5% of such stock, and who have agreed to accept the exchange offer upon effectiveness of the registration statement.

**Royal Dutch Petroleum Co./Shell Transport & Trading Co.**
May 27 Royal Dutch filed 794,203 shares (nominal par value of 20 Netherlands Guilders each), and Shell Transport filed 1,191,304 ordinary shares (£ nominal value). According to the prospectus, an offer has been made by Royal Dutch and Shell Transport to Canadian Eagle Oil Company Limited, for the whole of its assets and business. Pursuant to the offer, there would be allotted to Canadian Eagle, for distribution in kind to its shareholders, 3,971,012 fully paid shares of Royal Dutch and 5,956,518 fully paid ordinary shares of Shell Transport. Bataafse Petroleum Maatschappij, N.V., a company of the Royal Dutch/Shell group of companies, which owns about 21% of the issued share capital of Canadian Eagle, will waive its right to participate in such distribution. Canadian Eagle shareholders owning the remaining 23,-826,072 ordinary shares of Canadian Eagle will therefore receive two Royal Dutch shares and three Shell Transport ordinary shares in respect of every 12 shares of Canadian Eagle held. The offer is to be voted upon by Canadian Eagle shareholders at a meeting to be held July 21, 1959. After the shares of Royal Dutch and Shell Transport have been distributed to Canadian Eagle shareholders, Canadian Eagle is to be dissolved. Statement effective June 17.

**● St. Clair Specialty Manufacturing Co., Inc. (7/29)**
June 29 filed 30,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — To be applied in partial payment of 5% note due April 1, 1961. **Office** — 120 Twenty-fifth Ave., Bellwood, Ill. **Underwriters**—Stifel, Nicolaus & Co. Inc., St. Louis, Mo.; and Walston & Co., Inc., New York.

**● St. Regis Paper Co.**
June 26 filed 30,000 shares of common stock (par $5). The company proposes to offer this stock in exchange for outstanding shares of common stock of Lone Star Bag and Bagging Co. on the basis of 0.6782 of a share of St. Regis common for each share of Lone Star common. St. Regis will declare the exchange offer effective if 95% of the outstanding shares of Lone Star common are deposited for exchange, and may elect to do so if a lesser percent, but not less than 80%, of all the Lone Star common will enable it to control the business operations and policies of Lone Star.

**St. Regis Paper Co.**
June 24 filed 20,000 shares of common stock (par $5) to be offered by the company to the holders of the common stock of Chemical Packaging Corp. on the basis of one share of St. Regis common for each five and one-half shares of common stock of Chemical. **Office** — 150 East 42nd St., New York. **Underwriter**—None.

**★ Samson Convertible Securities Found, Inc.**
July 15 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Office**—23 Hazelton Circle, Briarcliff Manor, N. Y. **General Distributor**—Samson Associates, Inc.

**★ Sears, Roebuck & Co.**
July 16 filed 1,000,000 shares of common stock, to be offered to certain employees of the company and its subsidiaries pursuant to its Employees Stock Plan VII.

**● Sea View Industries, Inc. (8/26)**
July 14 filed $420,000 of 7% convertible subordinated debentures and 84,000 shares of common stock (par 10 cents). **Price**—$340 per unit of two debentures at $100 par and 40 shares of common stock at $3.50 per share. **Proceeds**—To retire loans; for machinery and equipment; and to add to working capital. **Office**—3975 N. W. 25th Street, Miami, Fla. **Underwriter**—Michael G. Kletz & Co., Inc., New York City.

**● Seeburg Corp.**
June 19 filed $5,135,000 of 20-year 5¼% convertible subordinated debentures, due Aug. 1, 1979, being offered for subscription by common stockholders at the rate of $100 principal amount of debentures for each 23 shares. Record date July 21, 1959; rights expire on Aug. 4. **Price**—100% of principal amount. **Proceeds**—To retire outstanding notes and for general corporate purposes, in-

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cluding additional working capital. **Underwriter**—White, Weld & Co., New York.

**Seiberling Rubber Co. (7/28)**
June 29 filed $3,000,000 of 20-year subordinated debentures, convertible into common stock during the first 10 years. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes including additional working capital and "further modernization" of plant and equipment. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

● **Silver Creek Precision Corp. (8/4)**
March 30 filed 1,550,000 shares of common stock (par 10 cents), of which 200,000 shares are to be offered for the account of the company, and 1,350,000 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Central Ave. and Mechanic St., Silver Creek, N. Y. **Underwriter**—Maltz, Greenwald & Co., New York.

★ **Sire Plan of Tarrytown, Inc.**
July 13 filed 18,000 10-year 6% debentures in multiples, and 18,000 shares of $3 cumulative, non-callable, participating preferred stock (par $10). **Price** — $100 per unit consisting of one $50 debenture and one share of preferred stock. The minimum sale is expected to be five units. **Proceeds**—For general corporate purposes incidental to the acquisition of land and buildings in Tarrytown, N. Y., and alterations and construction thereon. **Office**—115 Chambers Street, New York City. **Underwriter**—Sire Plan Portfolios, Inc., 115 Chambers Street, New York City.

**Soundscriber Corp.**
May 13 filed 126,254 shares of common stock (par $4) being offered for subscription by common stockholders at the rate of one new share for each three shares held. Record date July 2, 1959; Rights expire July 29, 1959. **Price**—$14 per share. **Proceeds**—To be applied for costs incurred and to be incurred in connection with the introduction of a new line of office dictating equipment; payment of installment notes with interest; payment of a bank indebtedness; payment and interest on notes payable; and for general corporate purposes. **Office**—8 Middletown Avenue, North Haven, Conn. **Underwriter**—None.

**Southern Nitrogen Co., Inc. (8/3-7)**
July 8 filed 136,400 shares of outstanding common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—The company owns and operates a nitrogen plant at Savannah, Ga. **Underwriter**—Harriman Ripley & Co. Inc., New York.

★ **Southern Realty & Utilities Corp.**
July 21 filed 300,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To pay loans and notes and for working capital. **Office**—New York City. **Underwriter**—Hirsch & Co., and Lee Higginson Corp., both of New York.

★ **Southwestern Drug Corp.**
July 22, 1959 filed 87,818 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including working capital. **Office**—Dallas, Texas. **Underwriter**—First Southwest Co., Dallas.

**Stelling Development Corp.**
June 8 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mortgages, land, paving roads, loans payable, advertising, etc. **Office**—305 Morgan St., Tampa 2, Fla. **Underwriter**—Stanford Corp., Washington, D. C.

● **Strategic Materials Corp. (7/29)**
June 29 filed 368,571 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each five shares held on or about July 20, 1959; rights to expire on or about Aug. 12, 1959. **Price**—To be supplied by amendment. **Proceeds**—For payment of bank loans; for payment of a note; for working capital; for expenditures by Strategic-Udy Metallurgical & Chemical Processes Ltd., which owns and operates a pilot plant at Niagara Falls, Ontario, and is a subsidiary of Stratmat Ltd., Strategic's principal subsidiary, and by its other direct subsidiary, Strategic-Udy Processes, Inc., which owns and operates a laboratory at Niagara Falls, N. Y.; as working capital for a mining subsidiary; for payment of a mortgage; and as working capital for another subsidiary. **Underwriters**—S. D. Lunt & Co., Buffalo, N. Y.; and Allen & Co., New York.

**Stuart Hall Co., Kansas City, Mo.**
June 8 (letter of notification) 23,169 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—White & Co., St. Louis, Mo.

**Studebaker-Packard Corp.**
July 1 filed 165,000 shares of $5 convertible preferred stock (par $100) and 5,500,000 shares of common stock (par $1). The 5,500,000 shares are reserved for issuance upon conversion of the preferred stock on and after Jan. 1, 1961, at the conversion price of $3 per share, (taking the preferred at $100 per share). The preferred stock was originally issued by the company in October 1958, to 20 banks and three insurance companies pursuant to a corporate reorganization. The largest blocks of preferred stock are now held by two insurance companies—the Metropolitan Life Insurance Co. and the Prudential Insurance Co. of America. The filing was made in order to provide a prospectus for use by the preferred shareholders who may wish to offer or sell shares of the preferred and/or common stock. Bear, Stearns & Co., one of the preferred stockholders, will initially offer for public sale 550 shares of preferred stock owned by it, at a price to be supplied by amendment.

**Supercrete Ltd. (7/29)**
July 2 filed 300,000 shares of common stock, of which 100,000 shares will be offered for the account of certain selling stockholders, and the remaining 200,000 shares will be sold for the company's account (par 25 cents Canadian). **Price** — To be supplied by amendment. **Proceeds**—For reduction of bank loans and for working capital. **Office**—St. Boniface, Manitoba, Canada. **Underwriter**—Straus, Blosser & McDowell, Chicago and New York.

**Superior Window Co. (7/24)**
May 15 filed 50,000 shares of 70-cent cumulative convertible preferred stock (par $8) and 125,000 shares of class A common stock (par 10 cents). **Price**—For preferred stock, $10 per share; and for common stock, $4 per share. **Proceeds**—To purchase the assets of Superior Trucking Co.; for repayment of notes; and for general corporate purposes. **Office**—625 E. 10th Ave., Hialeah, Fla. **Underwriter**—Cruttenden, Podesta & Co., Chicago and New York.

● **Tang Industries, Inc. (7/24-27)**
May 25 filed 110,000 shares of common stock (par 10 cents. **Price**—$3 per share. **Proceeds**—To purchase machinery and equipment; for research and development; for certain expenses and for working capital. **Office**—49 Jones Road, Waltham, Mass. **Underwriter** — David Barnes & Co., Inc., New York.

**Tape Cable Electronics Co., Inc.**
June 8 filed 110,000 shares of common stock (par one cent). **Price**—$3.75 per share. **Proceeds**—For the purchase and construction of necessary machinery and equipment, the promotion and sale of Tape Cable, and for working capital. **Office**—790 Linden Ave., Rochester, N. Y. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

**Technology, Inc.**
May 15 filed 325,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To pay off in full the subscription of Microwave Electronic Tube Co., Inc. stock, represented by notes, to pay for improvements upon the plant leased to Microwave, and for working capital. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter** — E. L. Wolf Associates, Inc., Washington, District of Columbia.

● **Television Shares Management Corp. (7/28)**
July 1 filed 206,500 outstanding shares of common stock (par one cent). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—135 South LaSalle St., Chicago, Ill. **Underwriter** — White, Weld & Co., Chicago and New York.

**Ten Keys, Inc., Providence, R. I. (7/29)**
April 28 filed 973,000 shares of capital stock (par $1). **Price**—$5.40 per share. **Proceeds**—For investment. **Office**—512 Hospital Trust Bldg., Providence, R. I. **Distributor**—E. R. Davenport & Co., Providence, R. I.

★ **Ten Pin Bowl Inc.**
July 7 (letter of notification) 29,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — To purchase land, building and equipment. **Office** — 506 King Street, Alexandria, Va. **Underwriter**—None.

★ **Terminal Tower Co.**
July 21 filed $2,500,000 7% 10-year sinking fund debentures, due Aug. 1, 1969, with warrants, each warrant entitling the holder to buy 40 shares of common stock ($1 par) until Aug. 1, 1962 at $10 per share. **Price**—To be offered at 100% of principal amount. **Proceeds**—To repay bank indebtedness. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, O.

**Tip Top Products Co.**
May 29 filed $850,000 of 6% first mortgage sinking fund bonds, series A (with warrants for 17,000 shares of class A common stock), and 100,000 shares of class A common stock. **Price** — For stock, $10 per share; for bonds, at 100% of principal amount. **Proceeds**—To retire the present mortgage debt of the company, to pay off short-term bank borrowings, and for working capital. **Office**—1515 Cuming St., Omaha, Neb. **Underwriters** — J. Cliff Rahel & Co., Omaha, Neb.; and The First Trust Co. of Lincoln, Neb.

● **Tool Research & Engineering Corp.**
July 14 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital; to repay loans; and for additional equipment. **Office** — Compton, Calif. **Underwriter** — Shields & Co., New York.

**Trans Central Petroleum Corp. (8/13)**
July 6 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses to explore for gas and oil and development. **Office**—Two Park Ave., New York 16, N. Y. **Underwriter**—Barnett & Co., Inc., New York, N. Y.

● **Transcontinental Gas Pipe Line Corp. (7/28-29)**
June 24 filed 150,000 shares of cumulative preferred stock (without par value—stated value $100 per share). **Price**—To be supplied by amendment. **Proceeds**—For prepayment of notes outstanding under revolving credit agreement, balance to be deposited with the trustee under the company's mortgage as the basis for issuance of a portion of new bonds. The amount so deposited is to be withdrawn by the company against property additions and used to prepay additional notes. **Office**—3100 Travis St., Houston, Tex. **Underwriters**—White, Weld & Co., and Stone & Webster Securities Corp., both of New York.

● **Transcontinental Gas Pipe Line Corp. (7/28-29)**
June 25 filed $20,000,000 of first mortgage pipe line bonds due Feb. 1, 1980. **Price**—To be supplied by amendment. **Proceeds** — For prepayment of notes outstanding under revolving credit agreement, balance to be deposited with the trustee under the company's mortgage as the basis for issuance of a portion of the new bonds. The amount so deposited is to be withdrawn by the company against property additions and used to prepay additional notes. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

**Treasure Hunters, Inc.**
June 4 filed 1,900,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For salvage operations. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—None.

**Triboat Plastics, Inc.**
June 18 (letter of notification) 20,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For the manufacture and sale of the company's products. **Office**—Juan Rosado St., Arecibo, Puerto Rico. **Underwriter**—None.

**Trinity Small Business Investment Co.**
April 17 filed 235,000 shares of capital stock (par $1). **Price** — $10.75 per share. **Proceeds** — For investment. **Office**—South Main Street, Greenville, S. C. **Underwriter**—To be supplied by amendment.

● **Tuboscope Co. (7/23)**
June 26 filed 200,000 outstanding shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Office** — 2919 Holmes Road, Houston, Tex. **Business**—The non-destructive testing and inspection of drill pipe and other oil field tubular products. **Underwriters** — Glore, Forgan & Co., New York; and Rowles Winston & Co., Houston, Tex.

**Tungsten Mountain Mining Co.**
May 21 (letter of notification) $100,000 principal amount of 7% first mortgage convertible bonds, to be offered in denominations of $500 and $1,000 each. **Price**—100% of principal amount. **Proceeds**—For construction, installation of machinery and equipment and working capital. **Office**—511 Securities Building, Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., Seattle 4, Wash.

★ **United Mobilhome Sales & Finance Corp.**
July 6 (letter of notification) 120,000 shares of common stock (par 10 cents) to be offered to a small group of individuals known to the company's officers. **Price** — $1.75 per share. **Proceeds**—For capital improvements; down payments on mobilhomes and freight and working capital. **Office**—5612 Grove Street, Chevy Chase, Md. **Underwriter**—None.

● **United States Plywood Corp.**
June 10 filed $15,000,000 of 20-year subordinated debentures due July 1, 1979 (convertible into common to July 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, for purchase of all of the assets (subject to the liabilities) of the Booth-Kelly Lumber Co. and the redemption of 38,084 shares of the company's series A 3¾% cumulative preferred stock (par $100), and a maximum of 9,551 shares of its series B, 3¾% convertible cumulative preferred stock, $100 par. **Underwriter**—Eastman Dillon, Union Securities & Co., New York. **Note**—Statement to be withdrawn.

● **U. S. Polymeric Chemicals, Inc.**
June 11 filed 71,080 shares of common stock (par 50 cents), of which 56,080 shares are being offered for subscription by stockholders at the rate of one new share for each six shares held of record June 30, 1959, at a price of $19.50 per share. Rights expire July 31, 1959. The remaining 15,000 shares are being sold by certain selling stockholders. **Price** — $21.50 on publicly offered stock. **Proceeds**—To be added to the general funds of the company and used for corporate purposes, including a $250,000 expenditure for the purchase and installation of new processing equipment, consisting principally of two additional treaters for its Santa Ana (Calif.) plant. **Underwriter** — Dominick & Dominick, New York.

★ **Universal Finance Corp.**
July 13 (letter of notification) 10,000 shares of common stock (par 15 cents). **Price**—$5 per share. **Proceeds**—For general operating funds. **Office**—700 Gibraltar Life Bldg., Dallas, Tex. **Underwriter**—Texas National Corp., San Antonio, Tex.

**Variable Annuity Life Insurance Co. of America**
April 21 filed $4,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—1832 M Street, N. W., Washington, D. C. **Underwriter**—None.

● **Varian Associates (7/27-31)**
June 24 filed 20,000 shares of capital stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—611 Hansen Way, Palo Alto, Calif. **Underwriter**—Dean Witter & Co., San Francisco and New York.

● **Varian Associates (7/27-31)**
June 24 filed $4,000,000 of convertible subordinated debentures, due July 15, 1974. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes and to increase working capital. **Office** — 611 Hansey Way, Palo Alto, Calif. **Underwriter**—Dean Witter & Co., San Francisco and New York.

● **Voss Oil Co. (7/28)**
May 27 filed 1,231,779 shares of class A common stock, of which 231,779 shares will be issued to creditors. **Price**—$1 per share. **Proceeds**—To be used for a waterflood program, and for working capital and other corporate purposes. **Office**—211 South Seneca St., Newcastle, Wyo. **Underwriter**—Hill, Darlington & Co., New York.

**Vulcan Materials Co., Mountain Brook, Ala.**
May 7 filed 252,526 shares of common stock, of which 142,526 shares represent the balance of 250,000 shares issuable upon the exercise of options granted key employees under the company's Employees Stock Option Plan. The remaining 110,000 shares are to be issued to stockholders of Greystone Granite Quarries, Inc., and Pioneer Quarries Co., both North Carolina corporations, and to certain other parties in exchange for all the outstanding capital stock of Greystone and Pioneer and

certain real and personal properties operated under lease by Pioneer.

**Vulcan Materials Co., Inc.**
June 29 filed 10,000 shares of 6¼% cumulative preferred stock and 560,000 shares of common stock, to be offered to the stockholders of Ralph E. Mills Co., Talbott Construction Corp. and Talco Constructors, Inc., in exchange for all the outstanding capital stock of these three corporations, and to the owner of Sherman Concrete Pipe Co., Chattanooga, Tenn., for the business and assets of that company. **Office**—Mountain Brook, Ala. Statement to become effective on or about July 20.

**Washington Land Developers, Inc.**
June 3 filed 100,000 shares of class A common stock. **Price** — $5 per share. **Proceeds** — For working capital. **Office**—1507 M Street, N. W. Washington, D. C. **Underwriter**—None.

**Wellington Electronics, Inc.**
May 6 filed 240,000 shares of common stock (par 75 cents. **Price**—$6 per share. **Proceeds**—For repayment of a bank note; to complete the automation of the etched foil production plant at Englewood, N. J.; for manufacture of machines to be leased to capacitor manufacturers; and for working capital. **Office** — Englewood, N. J. **Underwriter**—Charles Plohn & Co., New York.

★ **West Penobscot Telephone & Telegraph Co., Corinna, Maine**
July 6 (letter of notification) 100 shares of common stock to be offered for subscription by stockholders of record. **Price**—At par ($100 per share). **Proceeds**—To reduce a construction loan. **Underwriter**—None.

**Western Empire Life Insurance Co.**
June 29 filed 212,000 shares of common stock and options to purchase 172,701 shares (plus the underlying shares). The company proposes to make a public offering of three blocks of stock in amounts of 40,430, 38,570 and 36,935 shares, at prices of $1, $2 and $3, respectively. The remaining 96,065 common shares and options for the 172,701 shares (together with shares underlying such options) are to be offered by the present holders thereof. The options permit purchase of the underlying shares at $1 per share. **Proceeds**—For general corporate purposes. **Office**—2801 East Colfax Ave., Denver, Colo. **Underwriter**—None.

★ **Western Fund Plan**
July 17 filed $5,000,000 of Systematic Investment Certificates and $150,000 of Fully Paid Investment Certificates. **Proceeds**—To buy stock in Western Industrial Shares, Inc. **Office**—818 17th Street, Denver, Colo.

**Western Wood Fiber Co.**
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). **Price** — At par. **Proceeds**—For construction and equipment of company's plant and for working capital. **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—None.

● **Wilcox Electric Co. (7/28)**
June 24 filed 318,736 shares of common stock (par $3), of which 175,000 shares are to be offered for the account of Jay V. Wilcox, President, and 143,736 shares are to be offered for the account of the company. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding short-term bank loans and for working capital. **Office** —1400 Chestnut Avenue, Kansas City, Mo. **Underwriters** —Lee Higginson Corp., New York, and Stern Bros. & Co., Kansas City, Mo.

**Zapata Off-Shore Co. (8/4)**
July 13 filed 229,585 of common stock (par 50 cents). **Price** — To be supplied by amendment. **Proceeds** — To Zapata Petroleum Corp., the selling stockholder. **Office** —2218 First City National Bank Bldg., Houston, Texas. **Underwriter**—G. H. Walker & Co., New York.

★ **Zero Manufacturing Co.**
July 2 (letter of notification) 16,175 shares of common stock (par $1). **Price**—$14.26 per share. **Proceeds**—To acquire a controlling interest in the White Aircraft Corp. **Office**—1121 Chestnut Street, Burbank, Calif. **Underwriter**—None.

# Prospective Offerings

**Albertson's Inc.**
June 23 it was reported that the company contemplates some additional financing, probably in the form of common stock. **Business**—Food stores concern. **Underwriter** —J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Expected sometime this fall.

**American Gypsum Co.**
July 15 it was reported that the company will register debt and equity securities later this year. **Proceeds**—For construction of a gypsum products plant in Albuquerque, New Mexico, and for working capital. **Office**—Albuquerque, N. M. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque, N. M.

● **Barton's Candy Corp.**
July 15 it was reported that the company is planning an issue of common stock. **Business** — The 19-year-old company operates 67 retail candy stores in the Greater New York area, and 45 other outlets in the area north of Atlanta, Ga., and east of Chicago, Ill. Gross sales volume in the fiscal year ended June 30 was reportedly about $10,000,000. **Proceeds** — In part to selling stockholders, chiefly members of seven families associated with the enterprise; and, in part, to the company, for the expansion of production facilities, for the organization of additional outlets, and for general corporate purposes. **Underwriter**—D. H. Blair & Co., Inc., N. Y. C.

**Benson Manufacturing Co., Kansas City, Mo.**
June 10 it was announced that the company contemplates an offering of $4,500,000 of common stock. **Proceeds** — For expansion program and additional working capital. **Business**—The company is engaged in the manufacture of aircraft and missile parts, aluminum containers and beer barrels, aluminum curtain wall sections for the building industry and other proprietary products. **Underwriter**—S. D. Fuller & Co., New York.

● **Buckingham Transportation, Inc. (8/6)**
May 4 it was reported that the company is seeking early ICC approval for the issuance of 250,000 shares of class A common stock (par $1). **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill. **Price**—$10 per share. **New Name** — The company's name will be changed to Buckingham Freight Lines.

**Cary Chemicals, Inc. (8/13)**
July 15 it was reported that the company plans to register about $3,000,000 of subordinated debentures, due 1979, to be offered in units with common stock, during the week of Aug. 13-17. **Proceeds**—For general corporate purposes, including working capital. **Underwriters**—Lee Higginson Corp., and P. W. Brooks & Co., Inc.

**Central & Southwest Corp.**
May 19 it was announced that the company in view of generally favorable market conditions, is now considering the sale of 350,000 or 400,000 shares of common stock. **Offering**—Expected sometime this Fall. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Smith Inc. jointly.

**Chesapeake & Ohio Railway (8/12)**
July 15 it was reported that the road plans the sale of about $2,500,000 of equipment trust certificates on either Aug. 12 or Aug. 19. Probable bidders: Halsey, Stuart & Co., Inc., and Salomon Bros. & Hutzler.

**Citizens National Bank, Los Angeles, Calif.**
July 8 the bank offered 210,000 additional shares of common stock (par $10) to its stockholders of record June 30, 1959, on the basis of one new share for five shares than held (after a 50% stock dividend); rights to expire on Aug. 3. **Price**—$37.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

**Community Public Service Co. (9/9)**
July 7 it was reported that the company contemplates the issuance and sale of 30,000 shares of preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received on Sept. 9.

**Consolidated Natural Gas Co.**
May 19, James Comerford, President, announced that company plans later in year to issue and sell $20,000,000 of debenture bonds, if market conditions are favorable. **Proceeds**—For investments, improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly).

**Construction Products Corp., Miami, Fla.**
June 26 it was reported that this company plans an offering of about 250,000 shares of class A common stock, of which 200,000 shares will be sold for the account of certain selling stockholders, and 50,000 shares will be sold for the company's account. **Proceeds** — Working capital. **Underwriter** — Clayton Securities Corp., Boston, Mass. **Offering**—Expected in the middle part of Sept.

**Consumers Power Co. (8/18)**
July 7 the company has asked the Michigan Public Service Commission for permission to sell approximately $35,000,000 of first mortgage bonds due Aug. 1, 1989. **Proceeds**—For expansion and improvement program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly). **Bids**—Expected to be received on or about Aug. 18.

**Cyprus Mines Corp.**
July 15 it was reported that approximately 1,000,000 shares of a secondary issue common stock will be registered in the Fall. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

**El Paso Natural Gas Co.**
Stockholders voted April 28 to increase the authorized preferred stock to 1,000,000 shares from 472,229 shares, and the common stock to 25,300,000 shares from 20,300,000 shares. **Proceeds** — For major expansion program. **Underwriter**—White, Weld & Co., New York.

**Essex Universal Corp.**
June 15 it was reported that the company in the next few months expects the issuance and sale of about $2,000,000 of debentures. **Underwriter**—D. H. Blair & Co., New York.

**Federation Bank & Trust Co.**
June 30 the Directors approved and the stockholders approved on July 14, the offering of 168,904 shares of new capital stock to stockholders of record Aug. 7, 1959; rights to expire on Aug. 28, 1959. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter** —None.

**Federated Investors, Inc.**
July 1 it was reported that the company is contemplating the issuance of 65,000 shares of common stock. **Underwriter**—Hecker & Co., Philadelphia, Pa.

**Georgia Power Co. (9/17)**
Dec. 10 it was announced that the company plans to issue and sell $18,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Lehman Brothers; The First Boston Corp.; Morgan Stanley & Co.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Registration**—Planned for Aug. 21. **Bids**—Expected to be received on Sept. 17.

**Kansas City Power & Light Co.**
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Expected later in the year.

**Maritime Telegraph & Telephone Co., Ltd.**
June 4 it was announced that the company has decided to raise a substantial portion of the capital required by an issue of common stock to be offered to both preferred and common stockholders. It is expected that rights to purchase these share will be available during the latter part of August. **Proceeds**—For capital expenditures.

**Merchants National Bank, Boston, Mass.**
July 6 directors of the bank asked stockholders to approve plans to offer an additional 72,500 shares of capital stock to stockholders on the basis of one new share for each 6¼ shares held on the July 15 record date. The subscription price is $43 per share and rights expire on Aug. 4, 1959. **Proceeds**—To increase capital and surplus. **Underwriter**—First Boston Corp., New York City.

**Newark Electric Co. of Chicago**
June 2 it was reported that company plans some financing. **Business**—Distributor of electronic parts. **Offering**—Expected in August or September.

**North American Equitable Life Assurance Co.**
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates. Cincinnati, Ohio.

**Pacific Gas & Electric Co. (8/25)**
July 1 it was announced that the only financing operation the company will conduct this year will take the form of $65,000,000 of first and refunding mortgage bonds. **Proceeds**—To be applied in part, to retire temporary bank loans, and the balance to finance the company's continuing program of expansion for the remainder of the year. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. Bids to be received on Aug. 25.

**Pittsburgh & Lake Erie RR. (8/26)**
July 7 it was reported that the company plans to receive bids on Aug. 26 for the purchase from it of approximately $3,200,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Puget Sound Power & Light Co.**
May 15, Frank McLaughlin, President, announced company plans to issue and sell first mortgage bonds later in the year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp.; The First Boston Corp. and Smith, Barney & Co. (jointly).

**Salant & Salant Inc.**
July 15 it was reported that this company plans to register 100,000 shares of common stock in August. The company, which has never before done any public financing, manufactures shirts in Tennessee. **Proceeds**—For general corporate purposes. **Office**—330 5th Avenue, New York. **Underwriter**—Kidder, Peabody & Co., New York.

**So. Carolina Electric & Gas Co.**
June 22, S. C. McMeekin, President, announced plans to sell approximately $8,000,000 of bonds in December, 1959. **Proceeds**—To repay bank loans incurred for current construction program. Previous issues have been placed privately.

**Speedry Chemical Products Co. Inc.**
May 15 it was announced that the company plans an offering of 208,666 shares of common stock. **Underwriter** —S. D. Fuller & Co., New York. **Registration**—Sometime in August. **Offering**—Expected in September.

● **Union Electric Co. (Mo.)**
July 17 directors authorized issuance of 1,036,602 shares of common stock to holders of record Sept. 10, 1959, on the basis of one new share for each 100 shares then held. **Proceeds** — For expansion program. **Underwriter** —May be determined by competitive bidding. Probable bidders: Lehman Brothers; White, Weld & Co., and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc. **Offering**—Expected toward the end of the third quarter of 1959.

**Wayne Manufacturing Co., Los Angeles, Calif.**
May 26 it was reported that this company plans a secondary offering of about 90,000 shares of common stock. **Proceeds**—To selling stockholders. **Underwriters**—Mitchum, Jones & Templeton, Los Angeles, Calif.; and Schwabacher & Co., San Francisco, Calif.

**West Florida Natural Gas Co. (9/15)**
July 13 it was reported that the company plans to register $1,750,000 of notes and common stock. **Underwriter**—Beil & Hough Inc., St. Petersburg, Fla.

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# The State of Trade and Industry

plant will run out of a shape or size or material. It will take a couple of weeks beyond that for imbalances in supplies to become a somewhat common thing.

Steel users, the metalworking weekly explained, are well prepared for the steel strike because they started laying in supplies months ago when they learned the steelworkers' union wanted a "billion dollar bundle" out of this year's contract negotiations.

Users upped their steel inventories from 13 million tons at the beginning of this year to 21 million tons at the beginning of the strike early on Wednesday, July 15. Although stocks are 4 million tons less than they were on the eve of the 1956 steelworkers' strike, they are better balanced.

Major consumers are especially well prepared. Automakers have enough steel to complete production of their 1959 models and make a good start on next year's cars. Consumption will be down during the next few weeks because of model changeovers.

Appliance makers are set for 60 to 90 days.

Automakers have done a better job of expanding their own inventories than have their suppliers. If the steel strike goes into September, a shortage of parts might force automakers to limit their initial buildup of 1960 models to 350,000 units instead of 500,000.

The two-week extension (June 30 to July 15) of steel labor contract bargaining helped steel users build up their raw material inventories. Despite the extension, steel producers were two weeks behind schedule on shipments when the strike began. (2) The first impact of the strike, "Steel" said, was a production drop of 49.5 points last week from the preceding week. Output in the week ended July 19 only 30% of capacity—was 849,000 net tons of steel for ingots and castings. (3) Production will be even lower this week because the strike is now in full swing, "Steel" predicted. Only 13% of the steelmaking capacity is not closed down by the strike. It's not likely that this portion can be run full tilt, so it's reasonable to expect that the operating rate in the week ended July 26 will be less than 13% of capacity. Operating plants are in one of four categories: (1) Those that are not union organized. (2) Those that have independent unions. (3) Those which have United Steelworkers' contracts that do not expire for a while. (4) Those which have been given extensions by the union.

(5) Anticipating steel shortages in the U. S., importers have advanced prices in some cases sharply, on bars, shapes, and plates, and most wire items from western Europe.

(6) A rise of 67 cents last week put "Steel's" scrap price composite up to $38.67 a gross ton. The strength stems from a strong export demand and belief that after the steel strike steelmakers will have to increase their use of scrap to compensate for the loss of iron ore receipts during the strike.

### Steel Output Based on 23.3% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *23.3% of steel capacity for the week beginning July 20, equivalent to 374,000 tons of ingot and steel castings (based on average weekly production of 1947-49) as compared with an actual rate of *68.3% of capacity and 1,097,000 tons a week ago. **[Ed. Note: A strike in the steel industry began Wednesday, July 15.]**

Actual output for the week beginning July 13, 1959 was equal to 2.7% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 23.3%.

A month ago the operating rate (based on 1947-49 weekly production was *154.8% and production 2,486,000 tons. A year ago the actual weekly production was placed at 1,546,000 tons, or 96.2%.

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*Index of production is based on average weekly production for 1947-1949.

### Electric Output 9.4% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 18, was estimated at 13,415,000,000 kwh., according to the Edison Electric Institute.

For the week ended July 18 output decreased by 87 million kwh. below that of the previous week's (July 11) total of 13,502,000,000 kwh., but showed a gain of 1,158,000,000 kwh. or 9.4% above that of the comparable 1958 week.

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### Car Loadings 12.8% Above Corresponding 1958 Week

Loading of revenue freight for the week ended July 11 totaled 554,426 cars, the Association of American Railroads announced, This was an increase of 62,860 cars or 12.8% above the corresponding week in 1958 or a decrease of 138.173 cars or 19.9% below the corresponding week in 1957.

Loadings in the week of July 11 were 18,199 cars, or 3.3% below the preceding week, and were affected the second and final week of the coal miners annual vacation and reduced shipments to steel mills in anticipation of the steel strike.

Continuing the improvement in the nations job picture, the Commerce & Labor Department reported that the hiring of factory employees in May reached its maximum for any May since the boom years of 1955 and layoffs dropped to the lowest figure for any month since World War II.

### Car Production to Exceed 1958 Output by 48%

With U. S. auto-makers scurrying to close out their '59 model runs on schedule, the industry last week turned out an estimated 127,546 units—an increase of 3.6% over the previous week's total of 123,147 units, "Ward's Automotive Reports" said July 17.

Car-makers winding up '59 model activity last week were Dodge in Detroit (July 16) and Chrysler and DeSoto in Detroit (July 17). The last of the industry's '59 models will be built in late August, and '60 model production is expected to get underway by mid-September, a full month ahead of the 1958 schedule.

According to "Ward's," the industry carried out predominately five-day operations last week. The exceptions were Chevrolet at Los Angeles, idle Friday for inventory adjustment, and Mercury at Metuchen, N. J., down all week for vacation. The American Motors plant at Kenosha, Wis., and a Ford assembly site at Dallas, Texas, were slated to work six days.

United States truck production last week increased to a programmed 27,675 units for a 7.7% gain over the 25,706 units completed the week before. Ward's said that truck-building will experience a general leveling off in July because of model changeovers and vacation shutdowns.

At the end of this week, domestic car production will reach an estimated 3.595,421 units, 48% above corresponding 1958 (2,427,310). This year's truck turnout 723,548) shows an improvement of 49% over last year (483,036).

### Lumber Shipments Were 4.9% Below Production for July 11 Week

Lumber shipments of 478 mills reporting to the National Lumber Trade Barometer were 4.9% below production for the week ended July 11. In the same week new orders of these mills were 7.6% above production. Unfilled orders of reporting mills amounted to 42% of stocks. For reporting softwood mills, unfilled orders were equivalent to 18 days' production at the current rate, and gross stocks were equivalent to 40 days' production.

For the year-to-date, shipments of reporting identical mills were 1.6% above production; new orders were 2.2% above production.

Compared with the previous week ended July 4, production of reporting mills was 11.3% below; shipments were 19.6% below; new orders were 1.1% below. Compared with the corresponding week in 1958, production of reporting mills was 8.9% above; shipments were 6.8% below; and new orders were 8.2% below.

### Business Failures Up Slightly

Commercial and industrial failures edged up to 242 in the week ended July 16 from 237 in the preceding week, reported Dun & Bradstreet, Inc. However, casualties remained below the 279 occurring in the similar week last year, and the 266 in 1957. Some 4% fewer businesses succumbed than in the comparable week of prewar 1939 when the toll was 251.

Failures with liabilities of $5,000 or more rose to 222 from 209 in the previous week but did not reach the 241 of this size a year ago. Small casualties, those involving liabilities under $5,000, continued down to 20 from 28 a week earlier and 38 in the corresponding week of last year. Twenty of the failing concerns had liabilities in excess of $100,000 as against 30 in the preceding week.

### Wholesale Food Price Index Dips to Lowest Level Since November 1956

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., declined on July 14 to $6.00, the lowest level since November 6, 1956, when it was $5.95. The current level was down 1.0% from the $6.06 of the prior week and 9.8% below the $6.65 of a year ago.

Higher in wholesale price this week were flour, corn, rye, oats, barley, butter, and steers. Declines were listed for wheat, hams, bellies, lard, cheese, sugar, cocoa, eggs, and hogs.

The Dun & Bradstreet, Inc. Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Dips for Second Week in a Row

For the second consecutive week, the general commodity price level declined in the latest week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc. dipped to 276.14 (1930-32=100) on July 20 from 277.15 a week earlier and was moderately below the 279.95 of the comparable date a year ago. Lower prices on wheat, steers, lambs, cotton and copper offset increases on butter, rubber and corn.

### Wholesale Price Index for Week Ended July 14, 1959

Primary market prices fell 0.1% to 119.3% of their 1947-49 base during the week ended July 14, 1959, according to the U. S. Department of Labor's Bureau of Labor Statistics. The decline was due to lower average prices for farm products and processed foods as price changes among the group of commodities other than farm products and foods were offsetting.

### Sales Promotions Spur Retail Trade

Attracted by post-Fourth-of-July sales promotions, shoppers stepped up their buying of apparel, Summer furniture, and floor coverings this week boosting over-all retail volume moderately over a year ago. Scattered reports indicate that sales of new passenger cars were sustained at the high levels of the prior week and sharp year-to-year gains were maintained.

The total dollar volume of retail trade in the week ended on July 15 was 2 to 6% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: East North Central and Mountain +6 to +10; West North Central +3 to +7; Pacific Coast +2 to +6; Middle Atlantic, West South Central, and East South Central +1 to +5; South Atlantic —2 to +2; New England —3 to +1.

### Nationwide Department Store Sales Up 9% for July 11 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended July 11, increased 9% above the like period last year. In the preceding week, for July 11, an increase of 7% was reported. For the four weeks ended July 11, a gain of 11% was registered and for Jan. 1 to June 27 a 9% increase was noted.

According to the Federal Reserve System department store sales in New York City for the week ended July 11 showed an increase of 2% from that of the like period last year. In the preceding week, July 4, at 1% decrease was reported. June 27 was 1% to the good while June 20 showed a 14% increase. Four weeks ended July 11 a 4% gain over 1958 was recorded and Jan. 1 to July 4 showed a 4% increase.

*Continued from page 2*

# The Security I Like Best

flexibility and is aggressive in seeking attractive marketing opportunities for their output. Recently they concluded arrangements to ship large quantities of pears, plums and grapes to England where premium fruit brings a very good price. This market has just reopened for the first time since World War II, but before the war Di Giorgio was shipping about 20% of their fresh fruit there.

While farming profits are subject to the exigencies of the weather and the market place, Di Giorgio has good geographical and crop diversification, which has consistently supported profitable operations. Since land improvements are expanded annually, net earnings may be cushioned by deferring expenditures in difficult years. For instance, development costs for new plantings were $201,000 in 1958 against $39,000 in 1954. It is too early to accurately predict 1959 earnings, because several crops are yet to be harvested and the level of bulk wine prices can make a big difference. Several crops, such as pears and plums, are expected to be somewhat less profitable than last year. Potatoes on the other hand, which have been the most consistent loser in recent years, will show a net of around $200,000 compared with a loss of about that size last year. The Klamath Lumber and Box Company division (of cinerama fame) is enjoying good profits this year, and S & W operations are better. Apparently wine grapes will be plentiful this year with concurrent lower prices, but if bulk wine prices hold at good levels, profits should be quite satisfactory. Altogether it is probable that 1959 earnings, including S & W, will aggregate about $1.80 per share. Under favorable conditions net earnings could reach $2.50-$3.00 per share in an early future year, almost the same per share earnings potential that existed last year on 50% fewer shares before the 2-for-1 split.

Sizable depreciation and amortization of plantings, which last year aggregated $1,353,000, enhance the company's financial stamina. The price of Di Giorgio stock has historically reflected cash earnings and asset values. From 1954 to 1958 the stock sold at between 12½ and 20 times net earnings from operations. In 1959 about one-third of earnings will be generated by the S & W subsidiary. These earnings are not supported to the same extent by relatively large depreciation and real estate values. Nevertheless, S & W owns trade marks which are understood to be salable for approximately as much as the $6,000,000 which Di Giorgio paid for the entire business, including $10,000,000 worth of net working capital. At $18, Di Giorgio is currently available for about 11.8 times pro forma 1958 earnings (combining S & W F.Y. April 30, 1958 net earnings after interest charges with Di Giorgio '58 earnings) and about 10 times estimated earnings for 1959 5.7 times estimated cash earnings.

Perhaps the most important consideration in any investment is management. As I suggested last year, Di Giorgio has very competent management. They may be expected to give a good account of their resources as attractive farm, real estate, business and investment opportunities present themselves. This opinion was clearly supported by their activities during the last year.

The author believes that the common stock represents a net worth of at least $40 per share.

This figure includes pro forma working capital alone equal to $17, investment and other assets of about $7 and another $16 in valuable property, plant and equipment after allowance for the claims of long term debt and preferred stock. Therefore, the investor buys ownership at approximately 55% discount from net asset value. While the current dividend yields only 3.3%, management expects to maintain a fairly high payout of net suggesting that a substantial increase is a good possibility in the near future. A 50% increase to $.90 per share, resulting in a 5% yield would still represent an historically low payout, assuming that earnings of $1.80 per share are obtained. It is believed that long term holders will benefit from substantial improvement in earnings, appreciation of assets and a higher investment stature accorded Di Giorgio shares.

**MARVIN FEIT**

Ross & Hirsch, New York City
Members New York Stock Exchange
Members American Stock Exchange (Associates)

**American-Marietta**

Research is the keynote of this outstanding company's progress. The stock is truly a growth stock, as shown by its past record, due in a large part to the company's endless emphasis on research. Eight per cent of total employment is engaged in product development and improvement work. Not many companies devote this much effort and expense to research. However, it has paid off handsomely for American-Marietta. Another highly favorable factor is company's virtually perpetual desire to acquire other worthwhile industrial concerns. Since the beginning of the year, four companies have joined the American-Marietta team. They are: Southern Printing Ink of Richmond, Virginia; Superior Stone Company of North Carolina; Ruby Precast Concrete, Inc., of Madisonville, Kentucky; and Marietta Concrete Corporation of Marietta, Ohio. The latter was just acquired at the beginning of June.


Marvin Feit

**What the Company Does**

American-Marietta's activity can be broken down into the following categories: building and construction materials account for one-half of sales; industrial paints and chemical coatings for one-quarter of sales; adhesives and powdered metals for one-eighth of sales; and consumer products for the remaining eighth of sales. It has been forecast that within the next decade demand for heavy construction will exceed current capacity for the same by 50%. Additional forecasts have indicated that in 1959 alone, new construction will rise 7% to a record $52,300,000,000. Federal highway program expenditures should increase 45% during 1959 to a total of $4,000,000,000. Added to this is spending aside from the Federal Government of $3,000,000,000, which makes a grand total of $7,000,000,000. 3,000,000 miles of highways are planned for 1959. In line with these developments, American-Marietta expects a 7½% increase in cement sales this year.

American-Marietta is one of the two leading producers of lime and has 12 plants strategically located throughout the country.

Limestone reserves are plentiful and are estimated to be available for the next 75 years. The demand for lime has doubled in the last 10 years, and American-Marietta has expanded its facilities to cash in on the continuing heightened need for lime. American-Marietta is the ninth largest cement producer. The company also manufactures brick and tile; metal powders which are used as abrasives and for pigment in paints; chemical coatings for food cans; paints for industrial users, as well as individual consumers; color printing inks for the graphic arts industry; adhesives and resins for the plywood industry and household and industrial cleaning products. The company's precast concrete products are used for bridges and pipelines. Its line of Amdek bridge deck spans, which are prestressed and pretensioned, speeds up construction and lowers costs. American-Marietta makes inner circle pipe under the exclusive tunneliner process, which is used for sewers and permits construction of sewers to take place without interfering with overhead traffic or structures. Its Guardite Co. makes equipment for high altitude environmental testing. This company also manufactures equipment for controlling the moisture of tobacco and this equipment handles over 90% of the tobacco used in the world's cigarette output.

**Research Facilities**

Research is conducted at 23 separate laboratories, and is supplemented by having research performed at 37 outside institutions. Research is specialized, but there is a sizable amount of interchange of information between the different units. The company has spent $1,000,000 on a new synthetic resin research center in Seattle.

**Expansion Planned**

In the field of printing inks, the company has enlarged its Mexico City plant and has opened a new New Jersey plant. The trend towards more illustrative packaging is expanding the markets for this division.

A new unit in cement production was recently opened in Alabama. The capacity of this plant was increased by 1,250,000 barrels. Also expansion is going on at the Martinsburg, W. Va., cement plant.

**Operating Data**

Like many a company, the recession hit American-Marietta hard in the first half of 1958. However, the company bounced back with renewed vigor in the last half of 1958, and operating records were set for the year as a whole. Sales for 1958 were $251,420,000, and set a record for the ninth consecutive year. In contrast, sales in 1948 were a scant $37,690,000. Net earnings per share were $2.02 versus $2.17 for 1957. In 1948 net per share was 69c.

Dividends were $1 per share in 1958 versus 13c per share a decade ago. Dividends have increased each year since 1949, and have been paid since 1940. The present $1 dividend will be continued on the new shares after the five-for-four split, mentioned below.

Sales in the first quarter, ending Feb. 28, 1959, were $58,500,000 versus $45,300,000 last year. This was a creditable 30% increase. Earnings were even more impressive. Net per share for the first quarter was up 50%, and on a larger number of shares earnings were 36c versus 25c per share. For the second quarter ending May 31, 1959 sales were $84,300,000 against $59,800,000, or a 40% increase. Net per share was up 55% to 67c versus 43c in last year's second quarter. At May 31, 1959 backlog was up $15,000,000 to $47,200,000.

**Financial Data**

The capitalization of the company as of Nov. 30, 1958 follows:

| | |
|---|---|
| Long term debt | $43,771,380 |
| $5 cum. pfd. stk. ($100 par) | $22,200,000 |
| Common | 8,149,000 shs. |
| Class B | 2,580,533 shs. |

The common shares are entitled to $2 in dividends per year before anything has to be paid on the class B shares.

Working capital had increased from $44,000,000 to $71,000,000. Cash flow earnings were $25,900,000 against $24,000,000 in 1957.

The balance sheet revealed a very strong position. Cash alone was 70% of current liabilities. Cash and receivables were almost double current liabilities. The current ratio was 3.3 to 1. Total debt was a conservative amount, being only 28% of net worth. Net worth was more than double the total of current liabilities and long-term debt. Just two years ago net worth was slightly in excess of $100,000,000 and now is in excess of $150,000,000.

**An Active Stock**

Management has been very stockholder conscious and since 1955 the stock has been split three times. It was split 2 for 1 in 1955; 5 for 4 in 1956 and 3 for 2 in 1957. About two weeks ago the stock was split five-for-four, again showing management's interest in the company's stockholders.

In looking at the average price of the stock in the last nine years, the stock has advanced in price in each successive year. The average price for the stock was $34.50 during 1958, which compares with an average price of $2 in 1950. This shows the tremendous advancement the stock has had. We are of the firm opinion that this will continue in the future, making American-Marietta a growth stock, which is attractive for long-term commitments.

**What's Ahead**

Management is aiming at sales of $300,000,000 for 1959, which would be a 20% increase over 1958. This is entirely feasible as sales in the first quarter were up 28%. We feel that earnings can continue their first quarter rate of increase over the previous year and should be close to $3 per share for 1959. The major brunt of sales and earnings occurs in the latter half of the year.

**Summary**

American-Marietta is an interesting industrial company, which has able management that has enabled it to grow and prosper like very few other companies. I recommend purchase of the common shares as a means of sharing in the expected growth of this dynamic company over the long term.

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Savings and loan associations, which have mushroomed by the thousands since World War II, may have reached their peak. Congress has its eye on them.

Public hearings on equalizing taxes for thrift institutions will be conducted this fall by the House Ways and Means Committee. These building associations, most of whom have had spectacular success since their establishment, pay only a fraction of the taxes that commercial banks are required to pay.

**Some of the thrift institutions are currently paying 4¼ and 5% on savings, compounded four times a year. Congress in the past has been hesitant about inquiring into equalizing taxes for mutual savings banks and savings and loan associations on the theory that they represent the savings of the little man.**

The savings of the little man, average man or whatever one prefers to describe him, has brought on some truly big businesses. In the Nation's Capitol, for instance, savings and loan associations have sprung up by the dozens. Some of the finest buildings in recent years have been constructed by the growing building and loan associations.

### Tax Equality Bill Pending

The American Bankers Association has thrown its weight behind a bill by Representative Noah Mason of Illinois which would provide for more equal Federal taxation of savings and loan associations, mutual savings banks, and commercial banks.

**The proposal is supported by the American Bankers Association, the Bankers Committee for Tax Equality, the Independent Bankers Association and the Roth Committee. It will be in the second session of the 86th Congress, however, before this measure will be considered seriously beyond the hearings by Chairman Wilbur Mills and the House Ways and Means Subcommittee. All tax legislation must originate before this committee.**

The fact that the American Bankers Association is providing support to the Mason bill for more equitable taxation has already caused a few of the mutual savings banks to withdraw from the ABA. Just how many more will eventually pull out remains to be determined.

**President Lee P. Miller of the ABA, in a recent letter to the members of the big association, declared that the introduction of the Mason bill is a culmination of long efforts "to bring to bear upon this problem of Federal taxation the determined attention and unified support of all segments of the commercial banking industry. Our objective of fair treatment is directly in line with the public interest and will contribute to the nation's economy."**

There is no question that the present tax advantage enjoyed by mutual savings banks and savings and loan associations over commercial banks is a substantial one and hampers the latter's efforts to compete for savings.

### Tough Fight Looms

Certainly it is no secret that the commercial banks have a long, hard scrap on their hands to get so-called equitable taxation legislation passed. The savings and loan associations and the mutual banks have tremendous influence. They might be able to stave off this legislation for several years.

The Mason bill provides for a series of things. It would establish a uniform bad debt reserve formula for commercial banks, mutual savings banks and savings and loan associations. Each would be permitted to set up each year one-half of 1% of loans, not government insured, as a bad debt reserve before taxes until the reserve before taxes amounts to 5% of such loans.

**An existing provision allowing savings and loan associations and mutual savings banks to make transfer to a reserve for bad debts, without the payment of taxes, so long as the total of their surplus, undivided profits, and reserves does not exceed 12% of withdrawable accounts or total deposits, would be repealed.**

The bill also provides a limit on the amount of dividends and interest. The bill would limit such tax deductions to an amount equal to the average percentage of net income actually paid out by all savings and loan associations or by all mutual savings banks during the preceeding 10 years.

### Vault Cash Bill on Ike's Desk

There are a series of important bills pending in Congress on banking legislation. Of course, most of them will not get floor consideration at this session. As the week began, one important piece of legislation was on President Eisenhower's desk. He is certain to sign it.

This measure authorizes Federal Reserve member banks to treat their vault cash as part of their reserve requirements. Under present law, a bank can provide its reserve requirements by maintaining the required amount of cash on deposit with its Federal Reserve bank. Congress felt, however, and correctly so, that since vault cash holdings and reserve balances at the Reserve banks are interchangeable and have the same effect on the safety of the bank, it was proper that both be counted.

**Hearings before the House Banking and Currency Committee showed vault cash holdings generally amount to 3% or more of net demand deposits at country banks, but to less than 2% at Reserve city banks, and about 0.6% at central Reserve city banks. They amount to about a fourth of total required reserves at country banks as a group, but to less than a tenth of those for Reserve city banks and to only 3% of required reserves at central Reserve city banks.**

### Opposed by Patman

As practically every banker in the country knows, the bitterest opponent of the vault cash bill is the Congressman from Texas, Representative Wright Patman. Mr. Patman insisted in his campaign in Congress against the proposal that the legislation was a $15,000,000,000 give away to the banks.

**"This legislation approves a giveaway," said he, "to the private banks about $15,000,000,000 worth of United States bonds and other interest-bearing obligations of the United States which are now owned by the public—the Federal Government. . . . In brief the Federal Reserve proposes to 'sell' the private banks securities now held in its vaults and, at the same time, give the banks the 'reserves' with which to 'buy' those securities. No money will change hands. No credit will be extended."**

Nevertheless, Representative Paul Brown of Georgia, the No. 2 man on the House Banking and Currency Committee, declares that the "vault cash" bill is a good bill, and is by no means a giveaway of any sort. The Georgian has been carrying more and more of the legislative load of the House Banking and Currency Committee at this session. Representative Brent Spence of Kentucky, chairman of the committee, is in his 80's.

### No Bank Merger Legislation

More than two months ago the Senate passed for the third time in four years the bank merger bill. However, its chance of becoming law at this session is extremely dim. The House is in no mood, it seems at this time, to take it up. At least thus far no House action has been taken.

The Senate-passed bill would require the Federal agency receiving a proposed merger application (the Comptroller of the Currency, Federal Deposit Insurance Corporation or Federal Reserve Board), to seek the opinion of the other two agencies, and subsequently request the Department of Justice to pass upon the competitive features of the merger plan. Justice would be required to act promptly.

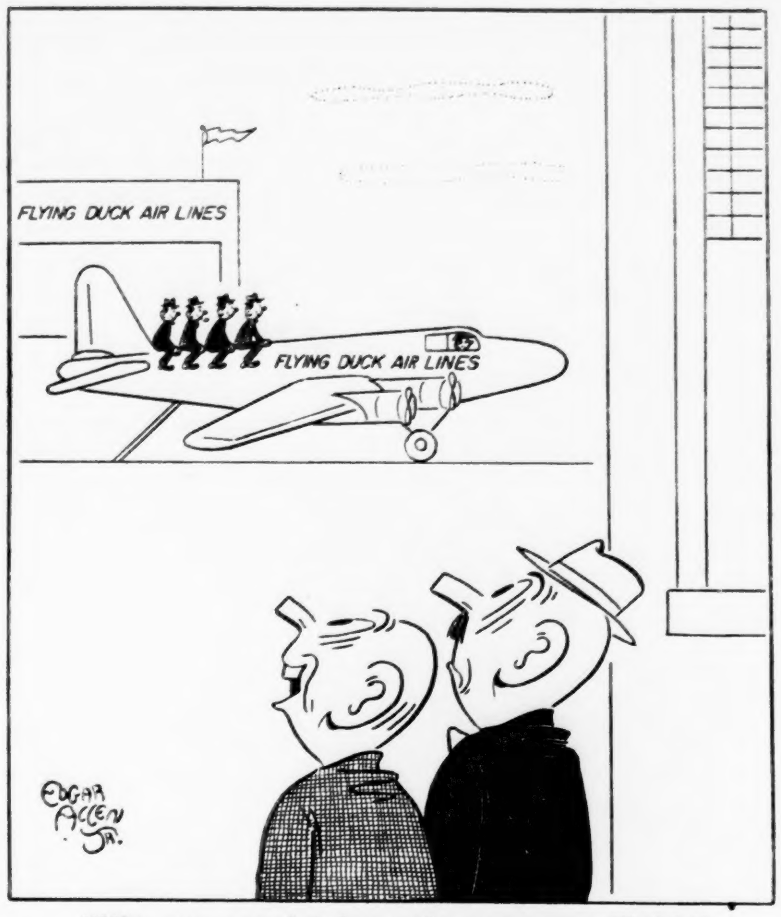
### Patman's Resolution "Dead"

There is not a chance that Representative Patman's House Resolution No. 50 will be approved. This is the third time that he has sponsored his measure which would authorize a broad inquiry into the monetary policies of the government, and the Federal Reserve System in particular.

**The resolution was assigned last January, when it was introduced, to the House Rules Committee. The House Rules Committee, which more or less says what bills, approved by the various committees, can go to the floor for consideration, is headed by Chairman Howard Smith of Virginia. The No. 2 Democrat on the committee is another conservative Southerner, Representative William M. Colmer of Mississippi.**

[This column is intended to reflect the *"behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.*]

## BUSINESS BUZZ

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# Business Man's Bookshelf

**Aluminum in Defense** — A survey—Reynolds Metals Company, Richmond 18, Va. (paper).

**Berlin** — Special issue of "Germany: Economy-Culture-Travel" — Germany Magazine, 102 Lincoln Avenue, Stamford, Conn.—$3.50 per year (U. S. A.); $4 (Latin American and foreign countries).

**Current Industrial Relations Research and the Problems of Management**—A Bibliography—Selected References, Industrial Relations Section, Princeton University, Princeton, N. J. (paper), 30c.

**Ecafe Petroleum Symposium** — Papers presented at the symposium in New Delhi, December 1958—Asiatic Petroleum Corp., 50 West 50th Street, New York 20, N. Y.

**Economic Policy in Western Europe** — Report for the Joint Economic Committee on Conferences in Western Europe — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), $1.25.

**Electric Industry** — The Answers to 29 Questions frequently asked the Edison Electric Institute—Edison Electric Institute, 750 Third Avenue, New York 17, N. Y. (paper).

**Employment, Hours and Earnings**: June 1959—U. S. Department of Labor, Bureau of Labor Statistics, Washington 25, D. C. (paper).

**European Technical Digests** — Monthly compilation from the technical press all over Europe —European Productivity Agency, 3 Andre-Pascal St., Paris 16, France, $12 per year.

**Exchange Restrictions**—10th Annual Report — International Monetary Fund, Washington, D. C. (paper).

**Financial Facts About the Meat Packing Industry, 1958**—American Meat Institute, 59 East Van Buren Street, Chicago 4, Ill. (paper).

**Group Methods in Therapy** — Jerome D. Frank—Public Affairs Pamphlets, 22 East 38th Street, New York 16, N. Y. (paper), 25c.

**Hides Futures Market**—Booklet on trading of hides futures—Commodity Exchange, Inc., 81 Broad Street, New York 4, N. Y. (paper).

**How American Buying Habits Change** — U. S. Department of Labor — Government Printing Office, Washington 25, D. C. (paper), $1.00.

**Inflation**: Cause and Cure—Conference on Economic Progress, 1001 Connecticut Avenue, N. W., Washington 6, D. C. (paper), 50c (quantity prices on request).